

PENNSYLVANIA REAL ESTATE INVESTMENT TRUST  
Form DEF 14A  
April 24, 2013  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**Pennsylvania Real Estate Investment Trust**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.



(4) Date Filed:

Table of Contents

## PENNSYLVANIA REAL ESTATE INVESTMENT TRUST

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

MAY 29, 2013

The Annual Meeting of Shareholders of Pennsylvania Real Estate Investment Trust will be held on Wednesday, May 29, 2013 at 11:00 a.m. Eastern Time at the Hyatt at The Bellevue, 200 South Broad Street, Philadelphia, Pennsylvania 19102 for the following purposes:

- (1) To elect 11 trustees nominated by the Board of Trustees and named in this Proxy Statement for a term expiring at the 2014 Annual Meeting of Shareholders;
- (2) Advisory approval of the Company's executive compensation;
- (3) To ratify the selection of KPMG LLP as our independent auditor for 2013; and
- (4) To transact such other business as may properly be brought before the meeting or any adjournment thereof.

Our Board of Trustees has fixed the close of business on April 5, 2013 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting.

All shareholders are cordially invited to attend the meeting. **Whether or not you expect to attend the meeting in person, please complete, sign and date the enclosed proxy card and return it promptly so that your shares may be voted. You may also vote your shares by telephone or through the Internet by following the instructions set forth on the proxy card.** If you attend the meeting, you may revoke your proxy and vote in person.

By Order of the Board of Trustees

BRUCE GOLDMAN

*Secretary*

Philadelphia, Pennsylvania

Edgar Filing: PENNSYLVANIA REAL ESTATE INVESTMENT TRUST - Form DEF 14A

April 24, 2013

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 29, 2013:**

**This Proxy Statement and PREIT's Annual Report to Shareholders for the fiscal year ended December 31, 2012 are available at [www.preit.com](http://www.preit.com) by clicking on [Investor Relations](#), then clicking on [SEC Filings](#) and then clicking on [Latest Proxy](#) or [Latest Annual Report](#), respectively.**

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>VOTING INFORMATION</u></b>	1
<u>Shareholders Entitled to Vote</u>	1
<u>Your Participation in Voting the Shares You Own is Important</u>	1
<u>How to Vote</u>	1
<u>Shares Held Through a Broker, Bank or Other Financial Institution</u>	1
<u>Voting Standards Generally</u>	2
<u>Voting by Proxy; Revocation of Proxy</u>	2
<u>Delivery of Documents to Shareholders Sharing an Address</u>	2
<u>Solicitation of Proxies</u>	3
<b><u>GOVERNANCE</u></b>	4
<b><u>PROPOSAL ONE ELECTION OF TRUSTEES</u></b>	4
<u>Trustee Nomination Process</u>	4
<u>Nominees for Trustee</u>	4
<u>Majority Voting Standard for Trustee Elections and Board Procedures</u>	14
<u>Board Recommendation</u>	14
<b><u>CORPORATE GOVERNANCE AND BOARD MATTERS</u></b>	15
<u>Leadership Structure</u>	15
<u>Role in Risk Oversight</u>	15
<u>Committees of the Board</u>	15
<u>Executive Compensation and Human Resources Committee</u>	16
<u>Audit Committee</u>	16
<u>Nominating and Governance Committee</u>	17
<u>Special Committee Regarding PREIT's Related Party Transactions Policy</u>	17
<u>Meetings of Independent Trustees</u>	17
<u>Communicating with the Board of Trustees</u>	17
<u>Meetings of the Board of Trustees</u>	18
<u>Corporate Governance Guidelines and Codes of Conduct</u>	18
<u>Trustee Independence</u>	18
<u>Standards of Independence</u>	18
<u>Related Party Transactions Policy</u>	19
<u>Compensation Committee Interlocks and Insider Participation</u>	19
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	20
<u>2012 Trustee Compensation</u>	20
<b><u>COMPENSATION</u></b>	22
<b><u>PROPOSAL TWO ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION</u></b>	22
<u>Board Recommendation</u>	23
<b><u>COMPENSATION DISCUSSION AND ANALYSIS</u></b>	24
<u>Introduction</u>	24
<u>Executive Transition and 2012 Performance</u>	24
<u>Aspects of Compensation Program Favorable from a Corporate Governance Perspective</u>	26
<u>Executive Summary</u>	27
<u>Compensation Committee Process and General Considerations</u>	28
<u>Compensation Consultant</u>	29
<u>Compensation Consultant Independence</u>	29
<u>Comparative Peer Groups</u>	29
<u>Role of Our Executive Officers in Executive Compensation</u>	30
<u>Compensation Objectives and Policies</u>	31
<u>Components of Executive Compensation</u>	32
<u>Share Ownership and Retention Guidelines</u>	36
<u>Recoupment Policy</u>	36

**Table of Contents**

<u>Hedging</u>	36
<u>Severance Payments</u>	36
<u>Share Trading Restrictions</u>	37
<u>Non-Qualified Retirement Plans</u>	37
<u>Deferred Compensation</u>	38
<u>No Perquisites</u>	38
<u>Benefits Generally Available to Employees</u>	38
<u>Accounting and Tax Considerations</u>	38
<u>Compensation Committee Report</u>	39
<b><u>2012 EXECUTIVE COMPENSATION</u></b>	40
<u>2012 Summary Compensation Table</u>	40
<u>Employment Agreements</u>	42
<u>2012 Grants of Plan-Based Awards</u>	45
<u>Performance Based Programs</u>	47
<u>Outstanding Equity Awards at 2012 Fiscal Year End</u>	48
<u>2012 Option Exercises and Stock Vested</u>	49
<u>Pension Benefits</u>	49
<u>2012 Nonqualified Deferred Compensation</u>	49
<u>Potential Payments Upon Termination or Change of Control</u>	50
<u>Equity Compensation Plans</u>	57
<b><u>AUDIT</u></b>	58
<b><u>PROPOSAL THREE RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR</u></b>	58
<u>Board Recommendation</u>	58
<u>Audit Committee Report</u>	58
<u>Pre-Approval Policies and Procedures</u>	59
<u>Additional Information Regarding Our Independent Auditors</u>	59
<b><u>OTHER MATTERS</u></b>	60
<b><u>PROPOSAL FOUR OTHER MATTERS</u></b>	60
<u>Principal Security Holders</u>	60
<u>Related Party Transactions Policy</u>	60
<u>Tax Protection Agreement</u>	61
<u>Other Transactions and Matters</u>	62
<u>Incorporation by Reference</u>	63
<u>Shareholders Proposals</u>	63

**Table of Contents**

**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

**200 South Broad Street**

**Philadelphia, Pennsylvania 19102**

**www.preit.com**

**PROXY STATEMENT**

**VOTING INFORMATION**

The Annual Meeting of Shareholders of Pennsylvania Real Estate Investment Trust, or PREIT, will be held on Wednesday, May 29, 2013 at 11:00 a.m. Eastern Time at the Hyatt at The Bellevue, 200 South Broad Street, Philadelphia, Pennsylvania 19102. We are mailing this Proxy Statement on or about April 24, 2013 to each holder of PREIT's issued and outstanding common shares of beneficial interest entitled to vote at the meeting in order to furnish information relating to the business to be transacted at the meeting. We are mailing our Annual Report to Shareholders for the fiscal year ended December 31, 2012 together with this Proxy Statement. We have included the Annual Report for informational purposes and not as a means of soliciting your proxy.

*Shareholders Entitled to Vote*

We have fixed the close of business on April 5, 2013 as the record date for the Annual Meeting. All holders of record of PREIT's common shares of beneficial interest at that time are entitled to notice of and are entitled to vote at the Annual Meeting and any adjournment or postponement thereof. On the record date, 56,506,000 common shares of beneficial interest were outstanding.

*Your Participation in Voting the Shares You Own Is Important*

Voting your shares is important to ensure that you have a say in the governance of PREIT and to fulfill the objectives of the majority voting standard that we apply in the election of trustees. If you are receiving this Proxy Statement from a broker, bank or other financial institution, please review the proxy materials and follow the instructions on the voting instruction form to communicate your voting instructions to your broker, bank or other financial institution. We hope you will exercise your rights and fully participate as a shareholder of PREIT.

*How to Vote*

We hope you will attend the Annual Meeting. Whether or not you expect to attend the meeting in person, please complete, sign, date and return the enclosed proxy card in the accompanying envelope so that your shares will be represented. The envelope is addressed to our transfer agent and requires no postage. You may also vote your shares by telephone or through the Internet by following the instructions set forth on the proxy card. If you receive more than one proxy card because you have multiple accounts, you should sign and return all proxy cards received, or submit your voting instructions with respect to each account by telephone or through the Internet, in order for all of your shares to be voted.

*Shares Held through a Broker, Bank or Other Financial Institution*

If you hold your shares through a broker, bank or other financial institution, there is a New York Stock Exchange rule that determines the manner in which your vote in the election of trustees will be handled at our upcoming 2013 Annual Meeting of Shareholders. Your broker, bank or other financial institution is not permitted to vote on your behalf on the election of trustees unless you provide specific instructions by completing and returning the voting instruction form or by following the voting instructions provided to you to vote your shares via telephone or the Internet. For your vote with respect to the election of trustees to be counted, you need to





## **Table of Contents**

communicate your voting instructions to your broker, bank or other financial institution before the date of the 2013 Annual Meeting of Shareholders and before any earlier date specified in the voting instructions provided by your broker, bank or other financial institution.

### *Voting Standards Generally*

On each matter subject to a vote at the Annual Meeting and any adjournment or postponement of the meeting, each holder of common shares will be entitled to one vote per share. With respect to the election of trustees (Proposal One), assuming a quorum is present, and subject to the majority voting provisions of our corporate governance guidelines, which are described in this Proxy Statement, the 11 nominees receiving the highest number of votes cast at the meeting will be elected as trustees. With respect to the advisory approval of the Company's executive compensation as described in the Compensation Discussion and Analysis section of this Proxy Statement and the accompanying tabular and narrative disclosure (Proposal Two) and the vote on ratification of the selection of KPMG LLP as our independent auditor for 2013 (Proposal Three), assuming a quorum is present, in each case the proposal will be approved if a majority of the shares present in person or by proxy and being cast as a vote on the proposal are voted FOR the proposal. Proposal Two is non-binding. If you mark your proxy as Withhold Authority or Abstain on any matter, or if you give specific instructions that no vote be cast on any specific matter, the shares represented by your proxy will not be voted on that matter, but will count toward the establishment of a quorum. Proxies submitted by brokers that do not indicate a vote for some or all of the proposals because they do not have discretionary voting authority and have not received instructions as to how to vote on those proposals (so called broker non-votes) are also considered in determining whether a quorum is present, but will not affect the outcome of any vote.

### *Voting by Proxy; Revocation of Proxies*

You may vote your shares to be voted at the Annual Meeting in person or by proxy. All valid proxies received before the Annual Meeting will be voted according to their terms. If you complete your proxy properly, whether by completing and returning a proxy card or by submitting your instructions by telephone or through the Internet, but do not provide instructions as to how to vote your shares, your proxy will be voted FOR the election of all trustees nominated by our Board of Trustees, FOR advisory approval of the Company's executive compensation as described in the Compensation Discussion and Analysis section of this Proxy Statement and the accompanying tabular and narrative disclosure and FOR the ratification of KPMG LLP as our independent auditor. If any other business is properly brought before the Annual Meeting, proxies will be voted in accordance with the judgment of the persons voting the proxies. After providing your proxy, you may revoke it at any time before it is voted at the Annual Meeting by filing an instrument revoking it with our secretary or by submitting a duly executed proxy bearing a later date. You also may revoke your proxy by attending the Annual Meeting and giving notice of revocation. Attendance at the Annual Meeting, by itself, will not constitute revocation of a proxy.

### *Delivery of Documents to Shareholders Sharing an Address*

Some banks, brokers and other nominee record holders might be participating in the practice of householding proxy statements and annual reports. This means that only one copy of our Proxy Statement or Annual Report might have been sent to multiple shareholders in your household. We will promptly deliver a separate copy of either document to you if you request one by writing or calling us as follows: Investor Relations, Pennsylvania Real Estate Investment Trust, The Bellevue, 200 South Broad Street, Philadelphia, Pennsylvania 19102; Telephone: 215-875-0735. If you want to receive separate copies of the Annual Report and Proxy Statement in the future, or if you are receiving multiple copies and would like to receive only one copy for your household, you should contact your bank, broker or other nominee record holder.

**Table of Contents**

*Solicitation of Proxies*

We will bear the cost of preparing and soliciting proxies, including the reasonable charges and expenses of brokerage firms or other nominees for forwarding proxy materials to shareholders. In addition to solicitation by mail, certain trustees, officers and employees of PREIT and its subsidiaries may solicit proxies personally or by telephone or other electronic means without extra compensation, with the exception of reimbursement for actual expenses incurred in connection with the solicitation. We have also hired Georgeson Inc. to assist us in the solicitation of votes for a fee of \$15,000, plus out-of-pocket expenses, for these services. The enclosed proxy is solicited by and on behalf of our Board of Trustees.

**Table of Contents**

**GOVERNANCE**

**PROPOSAL ONE**

**ELECTION OF TRUSTEES**

*Trustee Nomination Process*

PREIT's trust agreement provides that nominations for election to the office of trustee at any annual meeting of shareholders are made by the Board of Trustees, or by a shareholder if such shareholder provides a notice in writing delivered to our secretary not less than 90 nor more than 120 days before the anniversary date of the prior year's meeting, and for an election at an annual meeting that is not within 30 days of such anniversary date or for a special meeting called for the election of trustees, not later than 10 days following the date on which notice of the meeting is mailed or disclosed publicly, whichever comes first. The notice must be signed by the holders of at least two percent of the common shares outstanding on the date of the notice. Shareholders making nominations of trustee candidates must provide in the notice, among other things, (a) information regarding share ownership and any hedging or other transaction to hedge the economic risk or to increase or decrease the voting power of such shareholder, (b) a description of all agreements or understandings between any such shareholder and each nominee and any other person, pursuant to which any such shareholder has a right to vote any shares, or pursuant to which the nominee or shareholder may be entitled to compensation, reimbursement of expenses or indemnification by reason of such nomination or service as a trustee, including all such information that would be required to be disclosed under federal securities regulations if the nominee were nominated by the Board of Trustees, and (c) such other information regarding each nominee as would be required in a proxy statement had the nominee been nominated by the Board of Trustees. The complete text of these requirements is provided in Section 11.J of PREIT's trust agreement, which is available on our website at [www.preit.com](http://www.preit.com) and on the SEC's website at [www.sec.gov](http://www.sec.gov), and a copy of which may be obtained by written request to our secretary at our principal executive office. Nominations not made in accordance with the trust agreement procedures will not be considered, unless the number of persons properly nominated is fewer than the number of persons to be elected to the office of trustee at the Annual Meeting. In this latter event, nominations for the trustee positions that would not otherwise be filled may be made at the Annual Meeting by any person entitled to vote in the election of trustees.

*Nominees for Trustee*

PREIT's Board of Trustees has nominated Joseph F. Coradino, M. Walter D. Alessio, Rosemarie B. Greco, Leonard I. Korman, Ira M. Lubert, Donald F. Mazziotti, Mark E. Pasquerilla, Charles P. Pizzi, John J. Roberts, George F. Rubin and Ronald Rubin for election at the Annual Meeting as trustees to serve until the Annual Meeting to be held in the spring of 2014 and until their respective successors have been duly elected and have qualified. Each of the nominees other than Mr. Pizzi is currently serving as a trustee whose term expires at the Annual Meeting.

If any of the foregoing nominees becomes unable to or declines to serve, the persons named in the accompanying proxy have discretionary authority to vote for a substitute or substitutes, unless the Board of Trustees reduces the number of trustees to be elected.

The following table presents information with respect to the 11 nominees for the office of trustee and PREIT's executive officers, including their ages, principal occupations and the number of common shares beneficially owned by each of them as of March 31, 2013. As of such date, none of the nominees for the office of trustee or PREIT's executive officers owned any shares of either series of PREIT's preferred shares. In selecting nominees for election to the Board of Trustees, the members of the Nominating and Governance Committee and the Board of Trustees consider a number of factors that they deem relevant to service on the Board, including (1) personal integrity and ethics, (2) experience and maturity of judgment, (3) potential contributions to the collective knowledge, experience and capabilities of the Board of Trustees, (4) core competencies and

**Table of Contents**

willingness to participate actively in the work of the Board of Trustees and, in the case of non-management nominees, in the standing Committees of the Board of Trustees, (5) diversity of personal and professional backgrounds, and (6) the ability to work constructively and effectively with others. Generally, the Nominating and Governance Committee and the Board of Trustees considers it important that nominees have competencies in one or more of the following areas: the real estate industry, public or private finance, management, retail, accounting or government. Each nominee brings his or her particular set of personal experiences and competencies to the Board of Trustees, which were considered by the Nominating and Governance Committee and the Board of Trustees, and which are briefly highlighted in the table below.

The address for each nominee for the office of trustee and each executive officer is c/o PREIT, The Bellevue, Third Floor, 200 South Broad Street, Philadelphia, Pennsylvania 19102.

<b>Nominees for the Office of Trustee</b>	<b>Common Shares Beneficially Owned on March 31, 2013<sup>(1)</sup></b>	
<b>Principal Occupation, Affiliations and Qualifications</b>	<b>Number</b>	<b>Percent of Class<sup>(2)</sup></b>
Joseph F. Coradino	410,544 <sup>(3)</sup>	*
Age: 61		
Trustee since: 2006		
Chief Executive Officer of PREIT since 2012. President of PREIT Services, LLC and PREIT-RUBIN, Inc. since 2004. Executive Vice President-Retail of PREIT from 2001 to 2012. Executive Vice President-Retail Division and Treasurer of PREIT-RUBIN, Inc. from 1998 to 2004. From 1997 to 1998, Senior Vice President-Retail Division and Treasurer, PREIT-RUBIN, Inc. Previously served as director of A.C. Moore Arts & Crafts, Inc. from 2006 to 2011. Trustee of the University of the Arts, Philadelphia, Pennsylvania.		

Mr. Coradino has been engaged in real estate development, management and leasing for substantially all of his professional life and currently serves as PREIT's Chief Executive Officer. Prior to becoming the Chief Executive Officer, Mr. Coradino served for a number of years as the senior officer for PREIT's retail operations and as the principal officer in charge of redevelopment projects. Prior to joining PREIT as a senior executive in 1997, Mr. Coradino was an executive of The Rubin Organization, which was acquired by PREIT in 1997. Mr. Coradino brings to the Board an extensive knowledge of the properties and leasing program of PREIT and of trends and developments in the retail industry that are of vital significance to PREIT.

**Table of Contents**

Nominees for the Office of Trustee	Common Shares Beneficially Owned on March 31, 2013 <sup>(1)</sup>	
	Number	Percent of Class <sup>(2)</sup>
<p><b>Principal Occupation, Affiliations and Qualifications</b></p> <p>M. Walter D Alessio</p> <p>Age: 79</p> <p>Trustee since: 2005; Lead Independent Trustee since January 1, 2011</p> <p>Since 2012, Principal of Northmarq Advisors, a real estate advisory firm. Formerly Vice Chairman of NorthMarq Capital, a Minneapolis-based real estate investment banking firm with an office in Philadelphia, and Senior Managing Director of NorthMarq Advisors, since 2003. Non-executive Chairman of the Board of Brandywine Realty Trust (office and industrial real estate development and management), headquartered in Radnor, Pennsylvania, since 2004. Serves on the boards of directors of Exelon Corporation, Independence Blue Cross (Chairman) and the Greater Philadelphia Chamber of Commerce. From 1982 to 2003, served as Chairman and Chief Executive Officer of Legg Mason Real Estate Services, Inc., a commercial mortgage, banking and pension fund advisory firm headquartered in Philadelphia.</p>	23,272 <sup>(4)</sup>	*
<p>Mr. D Alessio has served in senior executive positions with quasi-governmental and private companies in the real estate sector for substantially all of his professional life. By reason of this extensive experience, as well as his continuing service on the boards of public agencies, non-profit organizations and corporations, Mr. D Alessio has gained an extraordinary degree of expertise in real estate valuation, finance and capital markets, corporate governance and executive compensation. In addition, Mr. D Alessio's active participation in governmental and community affairs enables him to provide valuable insights into matters of public policy and related considerations that affect the development of the properties of PREIT.</p>		
<p>Rosemarie B. Greco</p> <p>Age: 66</p> <p>Trustee since: 2012 (and from 1997 to 2011)</p> <p>Founding Principal, Grecoventures Ltd. (business investment and consulting partnership). Former Senior Advisor to the Governor of Pennsylvania on Health Care Reform. Former CEO and President, CoreStates Bank, N.A. and President, CoreStates Financial Corp. Director of Exelon Corporation and trustee of SEI I Mutual Funds. Member of the Board of Overseers of the University of Pennsylvania School of Nursing. Co-Chair of Vision 2020, a national coalition of organizations advancing women and leadership. Former corporate director of Sunoco, Inc., General Accident Insurance (USA), Cardone Industries, Inc., Genuardi's Family Markets, Inc. and Radian, Inc.; former Chair of the Greater Philadelphia Chamber of Commerce, former President and CEO of the Philadelphia Private Industry Council; former member of the Philadelphia Planning Commission and Board of Education; and former Chair of the Pennsylvania Workforce Investment Board.</p> <p>By virtue of her experience as a senior officer in the banking industry, her senior policy-making role in government and her service as a director of several large public companies engaged in diverse businesses, Ms. Greco adds significant depth to the Board's competencies in the areas of organizational development, corporate governance, executive</p>	9,258 <sup>(5)</sup>	*

compensation, strategic planning, finance and community and government affairs.

**Table of Contents**

Nominees for the Office of Trustee	Common Shares Beneficially Owned on March 31, 2013 <sup>(1)</sup>	
	Number	Percent of Class <sup>(2)</sup>
<p><b>Principal Occupation, Affiliations and Qualifications</b></p> <p>Leonard I. Korman</p> <p>Age: 77</p> <p>Trustee since: 1996</p> <p>Chairman and Chief Executive Officer, Korman Commercial Properties, Inc. (real estate development and management). Partner of The Korman Company, trustee of Thomas Jefferson University and member of the Albert Einstein Health Care Network Board of Overseers. Former director of CoreStates Bank, N.A. Served on the Regional Advisory Board of First Union National Bank, and the boards of The Pennsylvania Academy of Fine Arts and the Jewish Federation of Greater Philadelphia.</p> <p>Mr. Korman has been engaged in the acquisition, disposition, financing and management of residential and commercial real estate (including shopping centers) as an owner and senior executive for his entire adult life. In addition, he has served as a director of a large regional bank and on the boards of major community organizations. From this experience, Mr. Korman brings to the Board of Trustees an extensive knowledge of substantially all aspects of real estate investment, development and ownership, as well as valuable capabilities in strategic planning and finance.</p>	550,182 <sup>(6)</sup>	1.0%
<p>Ira M. Lubert</p> <p>Age: 63</p> <p>Trustee since: 2001</p> <p>Chairman of Independence Capital Partners and of Lubert-Adler Partners, L.P., companies specializing in private equity investments in real estate and other entrepreneurial opportunities. Co-founder and managing partner of LLR Equity Partners, L.P., a venture fund making private equity investments in Mid-Atlantic growth companies and middle market special opportunity situations. Chairman of GF Management, a company that specializes in the ownership and management of hospitality properties. Co-founder of the following funds: LEM Mezzanine Fund, a fund making mortgage loans; Quaker Bio Venture, a private equity fund engaged in making health care and life science investments; Patriot Financial Partners, a private equity fund focused on community banks, thrifts and other financial services related companies; Versa Capital Management, a fund specializing in distressed and special situations, including restructurings and turnarounds, reorganizations and recapitalizations; Rubinstein Partners, a fund specializing in directing and managing value-added office real estate investments; and LBC Partners, a fund that provides middle market financing solutions through debt and co-investments. Member of the Board of Directors of Global Affiliates, Inc. (wellness programs).</p> <p>Mr. Lubert has founded and serves as the principal executive of several investment funds that engage in the acquisition, financing and management of real estate and other diverse business enterprises. From his experience in these activities, Mr. Lubert brings to the Board of Trustees, among other things, a deep and pragmatic understanding of evaluating and structuring investments in real estate and other businesses, finance and capital markets and organizational strategy and development.</p>	21,415 <sup>(7)</sup>	*





**Table of Contents**

Nominees for the Office of Trustee	Common Shares Beneficially Owned on March 31, 2013 <sup>(1)</sup>	
	Number	Percent of Class <sup>(2)</sup>
Donald F. Mazziotti <sup>(8)</sup>	29,122 <sup>(9)</sup>	*

Age: 67

Trustee since: 2003

Community Development Director, City of Beaverton, Oregon since 2009. Principal, Development Equities & Advisories LLC (real estate development and consulting) since 2005. Senior Vice President, Urban and Mixed Use Development, Harsch Investment Properties, Portland, Oregon, from 2005 to 2007. Chief Executive Officer, Portland Development Commission, 2001 to 2005. Chief Information Officer, State of Oregon, 1998 to 2000. Chairman of Delta Development Group, Inc. (government relations, economic planning and management consulting) from 1995 to 1997. Chief Executive Officer of Delta Development Group, Inc. from 1988 to 1998. Director and audit committee member, Portland State University Foundation, since 2008. Member of the board and audit committee member of privately-held United Fund Advisors, LLC from 2008 to 2012. Member of Crown American Realty Trust Board of Trustees from 1993 to 2003. Deputy Assistant Secretary of Transportation, USDOT, 1978 to 1981.

Prior to joining the Board of Trustees, Mr. Mazziotti served on the board of trustees of Crown American Realty Trust, which was merged into PREIT in 2003. Mr. Mazziotti's experience on the board of trustees of Crown American Realty Trust combined with his extensive experience in state and municipal government, including relating to information technology, his work as a consultant in the area of real estate development and his service on the boards and audit committees of community organizations, adds to the competency of the Board of Trustees in the areas of real estate development, government oversight, regulation and policy, accounting, financial and information technology matters and strategic planning.

**Table of Contents**

Nominees for the Office of Trustee	Common Shares Beneficially Owned on March 31, 2013 <sup>(1)</sup>	
	Number	Percent of Class <sup>(2)</sup>
<b>Principal Occupation, Affiliations and Qualifications</b>		
Mark E. Pasquerilla <sup>(8)</sup>	119,372 <sup>(10)</sup>	*

Age: 53

Trustee since: 2003

President, director and sole member of Pasquerilla Enterprises, LP and its subsidiaries since 2006. Officer of Crown American Enterprises, Inc. since 1992 and director since 2012. President and Chairman of Crown Holding Company and its various subsidiaries and affiliates from 1999 to 2006. Vice Chairman and President of Crown Holding Company from 1993 to 1999. Chairman of the Board of Trustees, President and Chief Executive Officer of Crown American Realty Trust from 1999 to 2003. Vice Chairman of Crown American Realty Trust from 1998 to 1999. Trustee of Crown American Realty Trust from 1993 to 2003. Director of AmeriServ Financial, Inc., AmeriServ Financial Bank, AmeriServ Life Insurance Company, and AmeriServ Associates, Inc. since 1997. Board member of Concurrent Technologies Corporation, a charitable organization, since 1990. Board member of the Community Foundation for the Alleghenies, a charitable organization, since 1991. Advisory board member of the University of Pittsburgh at Johnstown since 1988. Board member of Johnstown (Pennsylvania) Area Heritage Association; President of the Greater Johnstown Regional Partnership; and Trustee of the International Council of Shopping Centers from 2002 to 2005.

As the Chairman and Chief Executive Officer of Crown American Realty Trust at the time of its merger into PREIT in 2003, Mr. Pasquerilla brings to the Board a broad understanding of the retail real estate industry and knowledge of the properties acquired by PREIT from Crown American Realty Trust and the communities that they serve. Mr. Pasquerilla served as a trustee of the International Council of Shopping Centers, a leading trade organization, and is currently a director of a publicly-owned bank and on the boards of several community organizations. Mr. Pasquerilla's competencies are derived from his business experience and community service activities, and include a knowledge of real estate acquisitions, finance and management, private and public capital markets, organizational development and strategic planning.

**Table of Contents**

Nominees for the Office of Trustee	Common Shares Beneficially Owned on March 31, 2013 <sup>(1)</sup>	Percent of Class <sup>(2)</sup>
Principal Occupation, Affiliations and Qualifications	Number	
Charles P. Pizzi		
Age: 62	0 <sup>(11)</sup>	*
Former President and Chief Executive Officer and director of Tasty Baking Company from 2002 until the company's sale in 2011. Director of Brandywine Realty Trust (office and industrial real estate development and management), PHH Corporation (residential mortgage originator), Allied Security Holdings LLC (security officer services) and Franklin Square Energy Fund. Former director of the Federal Reserve Bank of Philadelphia from 2006 to 2011, including service as Chairman from 2010 to 2011. Former director of the Philadelphia Stock Exchange until its acquisition by NASDAQ in 2008. President and Chief Executive officer of the Greater Philadelphia Chamber of Commerce from 1989 to 2002. Director of a variety of civic, educational, charitable and other boards, including the boards of Drexel University and Independence Blue Cross.		
Mr. Pizzi's career is unusually extensive and varied, including nine years as president and chief executive officer of a public company, service as a director of companies engaged in real estate, health insurance, construction, engineering, investment and security operations, and a broad range of civic and community leadership and service. By reason of his experience, Mr. Pizzi brings to the Board a diverse combination of business, operational, public company, community and governmental knowledge and skills.		
John J. Roberts	18,514 <sup>(12)</sup>	*
Age: 68		
Trustee since: 2003		
Former Global Managing Partner and member of the Leadership Team, PricewaterhouseCoopers LLP, completing a 35 year career with the firm in 2002. Director, Armstrong World Industries, Inc., Safeguard Scientifics, Inc. and Vonage Holdings Corp. Member of the American Institute of CPAs. Former director of SICOR, Inc., Philadelphia First Corporation, Greater Philadelphia Chamber of Commerce, Urban Affairs Partnership, and the University City Science Center. Former member of the advisory boards of the Kellogg School, Northwestern University, and the University of Southern California School of Accounting. Former trustee of Drexel University.		
By reason of his 35-year career in public accounting, which included service as a senior executive with a global accounting firm, and his service on the boards and audit committees of other public companies, Mr. Roberts brings an exceptionally high level of accounting and audit expertise to the Board and the Audit Committee. His experience has enabled Mr. Roberts to interact knowledgeably and effectively with PREIT's independent auditors and with the accounting and finance personnel of PREIT. In addition, his experience as an accounting executive and as a board member of businesses in diverse industries and nonprofit organizations has given Mr. Roberts additional capabilities, including strategic planning and corporate governance.		

**Table of Contents**

Nominees for the Office of Trustee	Common Shares Beneficially Owned on March 31, 2013 <sup>(1)</sup>	
	Number	Percent of Class <sup>(2)</sup>
<p><b>Principal Occupation, Affiliations and Qualifications</b></p> <p>George F. Rubin<sup>(13)(14)</sup></p> <p>Age: 70</p> <p>Trustee since: 1997</p> <p>Vice Chairman of PREIT since 2004. President and Secretary, PREIT Services, LLC and PREIT-RUBIN, Inc. from 1997 to 2004. Chairman of the Board of Thorncroft Therapeutic Horseback Riding, Inc. Trustee emeritus of Lafayette College. Former treasurer of the Philadelphia Vietnam Veterans Memorial Committee. Appointed by former President George W. Bush to the Veterans Committee on Education.</p> <p>Mr. Rubin has been engaged in all aspects of real estate acquisition, development and management since joining The Rubin Organization following his military service. The Rubin Organization was acquired by PREIT in 1997, and Mr. Rubin serves as a senior executive of PREIT in the areas of property acquisition and disposition and ground-up development. Mr. Rubin adds to the depth of the knowledge of the Board of Trustees concerning the core operations of PREIT, particularly regarding real estate investment and development and project planning and finance.</p>	1,245,644 <sup>(15)</sup>	2.2%
<p>Ronald Rubin<sup>(13)(14)</sup></p> <p>Age: 81</p> <p>Trustee since: 1997</p> <p>Executive Chairman of PREIT since 2012. Chairman of PREIT from 2001 to 2012. Chief Executive Officer of PREIT from 1997 to 2012. Chairman and Chief Executive Officer of The Rubin Organization, Inc. (renamed PREIT-RUBIN, Inc. upon acquisition by PREIT in 1997) from 1992 to 1997. Trustee of the International Council of Shopping Centers. Past Chairman of the Center City District and past Chairman of the Greater Philadelphia Chamber of Commerce. Director of PECO Energy Company, a subsidiary of Exelon Corporation. Director of the Regional Performing Arts Center. Past President of the Jewish Federation of Greater Philadelphia. Co-Chairman of the National Museum of American Jewish History and served on the boards of the Franklin Institute, the Philadelphia Orchestra and the United Jewish Appeal.</p> <p>Mr. Rubin has been engaged in real estate ownership, development and management for his entire adult life and is widely recognized as a leader in the industry. Prior to becoming Chief Executive Officer of PREIT in 1997, Mr. Rubin was chief executive officer of The Rubin Organization, which was acquired by PREIT in 1997. PREIT acquired The Rubin Organization, in significant part, to secure the leadership and extensive real estate industry knowledge, experience and relationships of Mr. Rubin and the team of executives that he had assembled. Mr. Rubin brings to the Board of Trustees extensive business experience, effective leadership and a vast knowledge of PREIT, its properties and the real estate industry.</p>	1,222,348 <sup>(16)</sup>	2.1%

**Table of Contents**

	Shares Beneficially Owned On March 31, 2013 <sup>(1)</sup>	
	Number	Percent of Class <sup>(2)</sup>
<b>Non-Trustee Executive Officers</b>		
Jonathen Bell	40,499 <sup>(17)</sup>	*
Age: 45		
Senior Vice President of PREIT since 2007. Chief Accounting Officer of PREIT since 2006. Vice President-Financial Services of PREIT from 1999 to 2007. From 2003 to 2006, Corporate Controller of PREIT. From 1997 to 1999, controller of Washington REIT in Rockville, Maryland.		
Bruce Goldman	90,993 <sup>(18)</sup>	*
Age: 54		
Executive Vice President and General Counsel of PREIT since 2002, and Secretary of PREIT since 2005. From 2001 to 2002, Senior Vice President-General Counsel of PREIT. From 2000 to 2001, Senior Vice President-Legal of PREIT. From 1997 to 2000, Vice President of New City Development, the development subsidiary of Mirage Resorts, Inc.		
Robert F. McCadden	217,562 <sup>(19)</sup>	*
Age: 55		
Executive Vice President and Chief Financial Officer of PREIT since 2004. From 2002 to 2004, Partner of KPMG LLP. From 1993 to 2002, Partner of Arthur Andersen LLP. Director of Independence Realty Trust, Inc. (multifamily real estate investment and management) since 2011.		
All Trustees and executive officers as a group (14 persons)	4,460,851 <sup>(20)</sup>	7.7%

\* Less than one percent.

(1) Unless otherwise indicated in the following footnotes, each trustee and executive officer has sole voting and investment power with respect to all such shares.

(2) Based on 56,506,000 common shares of beneficial interest outstanding as of March 31, 2013.

(3) Includes 300,946 shares that Mr. Coradino owns directly, 6,011 Class A units of limited partnership interest in PREIT Associates, L.P. that Mr. Coradino owns directly, 52,348 Class A units of limited partnership interest in PREIT Associates, L.P. held by Mr. Coradino's spouse, 32,001 Class A units held by a grantor retained annuity trust of which Mr. Coradino is a trustee and Mr. Coradino's spouse is a beneficiary, and 19,238 Class A units held by a trust of which Mr. Coradino's spouse is a trustee and his child is a beneficiary. Class A units are redeemable for cash or, at PREIT's option, for a like number of common shares. Mr. Coradino disclaims beneficial ownership of the Class A units held by or for the benefit of his spouse.

(4) Includes 18,272 shares that Mr. D Alessio owns directly and 5,000 shares subject to exercisable options.

(5) Includes 4,258 shares that Ms. Greco owns directly and 5,000 shares subject to exercisable options.

## Edgar Filing: PENNSYLVANIA REAL ESTATE INVESTMENT TRUST - Form DEF 14A

- (6) Includes 422,703 shares that Mr. Korman owns directly, 420 shares owned by Mr. Korman's spouse, 116,531 shares held in trusts of which Mr. Korman is a co-trustee and 10,528 shares held in trusts of which Mr. Korman is a co-trustee and the sole beneficiary. Mr. Korman disclaims beneficial ownership of the 116,531 shares held in trusts of which Mr. Korman is a co-trustee and the 420 shares owned by Mr. Korman's spouse.

**Table of Contents**

- (7) Includes 21,415 shares that Mr. Lubert owns directly.
- (8) In accordance with the merger agreement between PREIT and Crown American Realty Trust in 2003, PREIT expanded the size of its Board of Trustees by two in December 2003 and elected Messrs. Pasquerilla and Mazziotti, who were members of Crown's board at the time of the merger, to fill the vacancies created by the expansion.
- (9) Includes 8,129 shares that Mr. Mazziotti owns directly, 15,993 shares as to which Mr. Mazziotti shares voting and investment power with his spouse and 5,000 shares subject to exercisable options.
- (10) Includes 17,247 shares that Mr. Pasquerilla owns directly, 5,000 shares subject to exercisable options, 45,211 shares held by Marenrico Partnership, and 51,914 shares held by Pasquerilla, LLC, an entity controlled by Mr. Pasquerilla. All of the shares held by Pasquerilla, LLC are pledged as collateral to First Commonwealth Bank, 33,575 shares held by Marenrico Partnership are pledged as collateral to Merrill Lynch with respect to a margin account, and 8,287 shares held by Mr. Pasquerilla directly are in a pledged account with Merrill Lynch.
- (11) Mr. Pizzi does not currently own any shares. If elected, Mr. Pizzi would become subject to our share ownership and retention guidelines for non-employee trustees. He would also become eligible to receive future awards of restricted shares, which we have typically granted annually to our non-employee trustees.
- (12) Includes 13,514 shares that Mr. Roberts owns directly and 5,000 shares subject to exercisable options.
- (13) In accordance with an agreement that PREIT entered into in connection with its 1997 acquisition of The Rubin Organization, Inc., the Board of Trustees of PREIT elected Ronald Rubin and George F. Rubin as trustees of PREIT in 1997 to fill vacancies created by the resignations of two former trustees. Ronald Rubin and George F. Rubin are brothers.
- (14) The employment agreements between PREIT and each of Ronald Rubin and George F. Rubin provide that, during the term of their respective employment agreements, the Board of Trustees shall nominate Ronald Rubin and George F. Rubin, respectively, as a candidate for election to the Board of Trustees at each annual meeting at which his term as a trustee is scheduled to expire.
- (15) Includes 279,613 shares that George Rubin owns directly, 330,395 shares held by trusts of which George Rubin is a trustee, 97,999 shares held by a trust of which George Rubin is a trustee, 27,800 shares held by the Non-QTIP Marital Trust under the Will of Richard I. Rubin, of which Ronald Rubin and George Rubin are beneficiaries (the Marital Trust), 7,834 shares held by a trust of which George Rubin is a trustee and beneficiary, 5,750 shares held by trusts of which George Rubin is a trustee, 900 shares held by a trust, the beneficiary of which is George Rubin's daughter, and 1,063 shares held by George Rubin's spouse. George Rubin disclaims beneficial ownership of all the shares owned by his spouse and of all the shares held in trust, except for those shares held by a trust of which he is also a beneficiary. Also includes 494,290 Class A units of limited partnership interest in PREIT Associates, L.P. (86,934 of which are held by the Marital Trust and 169,789 of which are held by grantor retained annuity trusts of which George Rubin is a trustee) that are redeemable for cash or, at PREIT's option, for a like number of common shares. Excludes 5,227 Class A units held by Pan American Office Investments, L.P. George Rubin holds limited partnership interests in Pan American Office Investments, L.P.
- (16) Includes 143,386 shares that Ronald Rubin owns directly, 27,800 shares held by the Marital Trust, 5,000 shares held by a trust of which Ronald Rubin is a trustee and beneficiary, 8,584 shares held by trusts of which Ronald Rubin is a trustee, and 1,037,578 Class A units of limited partnership interest in PREIT Associates, L.P. that are redeemable for cash or, at PREIT's option, for a like number of common shares, 86,934 of which are held by the Marital Trust, 119,510 of which are held by grantor retained annuity trusts of which Ronald Rubin is a trustee and 5,227 of which are held by Pan American Office Investments, L.P. Ronald Rubin controls and holds substantial ownership



interests in Pan American Office Investments, L.P.

**Table of Contents**

- (17) Mr. Bell directly owns all 40,499 shares.
- (18) Mr. Goldman directly owns all 90,993 shares.
- (19) Mr. McCadden directly owns 198,918 shares and shares voting and investment power as to an additional 18,644 shares with his spouse.
- (20) Includes 2,876,320 shares held directly or indirectly, 30,000 shares subject to exercisable options and an aggregate of 1,554,532 Class A units of limited partnership interest in PREIT Associates, L.P. that are redeemable for cash or, at PREIT's option, for a like number of common shares. Also includes the following shares beneficially owned by Mr. Stephen Cohen, a current trustee who is not standing for reelection: 150,732 shares that Mr. Cohen owns directly, 37,056 shares owned by an Indenture of Trust of which Mr. Cohen is a beneficiary, 243,944 shares owned by the Deed of Trust of Sylvan M. Cohen of which Mr. Cohen is a future beneficiary, 153,713 shares owned by the Sylvan M. Cohen Charitable Remainder Trust of which Mr. Cohen is a trustee and 5,000 shares subject to exercisable options. Mr. Cohen has shared voting and investment power with respect to the 153,713 shares owned by the Sylvan M. Cohen Charitable Remainder Trust. In certain instances, two trustees beneficially own the same shares because they share voting or investment power over the shares. These shares have been counted only once in this total.

*Majority Voting Standard for Trustee Elections and Board Procedures*

With respect to the election of trustees, assuming a quorum is present, and subject to the majority voting provisions of our corporate governance guidelines described below, the 11 nominees receiving the highest number of votes cast at the Annual Meeting will be elected trustees. If you mark your proxy as *Withhold Authority* in the election of any of the trustees, or if you give specific instructions that no vote be cast in the election of any of the trustees, the shares represented by your proxy will not be voted in the election of such trustee(s), but will count toward the establishment of a quorum.

Pursuant to PREIT's corporate governance guidelines, if any nominee for trustee receives a greater number of *Withhold Authority* responses regarding his or her election than votes *FOR* his or her election, that nominee will be required to promptly tender his or her resignation to the Nominating and Governance Committee of the Board of Trustees following certification of the shareholder vote. The Nominating and Governance Committee of the Board of Trustees will consider the resignation offer and recommend to the Board of Trustees whether or not to accept it. The Board of Trustees (excluding such nominee) will act on the Nominating and Governance Committee's recommendation within 90 days following certification of the shareholder vote. Thereafter, the Board of Trustees will promptly disclose its decision as to whether to accept the trustee's resignation offer (and, if applicable, the reasons for rejecting the resignation offer) in a press release to be disseminated in the manner that PREIT's press releases typically are distributed or by other means of public disclosure.

Any trustee tendering his or her resignation pursuant to the procedures described above will not participate in the Nominating and Governance Committee recommendation or any other action of the Board of Trustees regarding whether to accept the resignation. If each member of the Nominating and Governance Committee were to receive a majority of votes marked *Withhold Authority* in the same election, then the independent members of our Board of Trustees who did not receive a majority of votes marked *Withhold Authority* would appoint a committee among themselves (which may consist of some or all of them) to consider the resignations and recommend to the Board of Trustees whether to accept them.

*Board Recommendation*

Our Board of Trustees recommends that shareholders vote *FOR* the election of each of the individuals named in this Proxy Statement and nominated for election as trustees by our Board of Trustees.

**Table of Contents**

**CORPORATE GOVERNANCE AND BOARD MATTERS**

*Leadership Structure*

In June 2012, Joseph F. Coradino became Chief Executive Officer of PREIT, succeeding Ronald Rubin, who retired as Chief Executive Officer but remains as Executive Chairman. Ronald Rubin had been Chief Executive Officer since 1997 and Chairman since 2001. Mr. Coradino had been a senior officer of PREIT since he joined the Company in 1997 and has been a Trustee of the Company since 2006. The Board of Trustees believed that promoting Mr. Coradino to the role of Chief Executive Officer, while retaining the knowledge and experience of Mr. Rubin as Executive Chairman, has facilitated a smooth transition of leadership from Mr. Rubin to Mr. Coradino.

The Board of Trustees also previously appointed M. Walter D. Alessio to a second one-year term as Lead Independent Trustee that commenced on January 1, 2012 and has subsequently appointed him to a third term in that position that commenced on January 1, 2013. The scope of Mr. D. Alessio's responsibilities in this role includes board operations, Chief Executive Officer evaluation and succession, Board of Trustees evaluation and recruitment, and, as appropriate, shareholder relations.

The Board believes that this structure, including a Lead Independent Trustee, Executive Chairman and CEO, is appropriate and effective for PREIT because it enables PREIT to continue to benefit from Ronald Rubin's extensive experience, knowledge, relationships and leadership in the real estate industry while it also provided (i) stability during the transition from Mr. Rubin to Mr. Coradino as CEO, (ii) a separate conduit through the Lead Independent Trustee between the independent trustees and the CEO, Executive Chairman and other executive officers of PREIT as appropriate, (iii) an additional mechanism for oversight by the independent trustees, and (iv) a means of enhancing conditions for engagement by the Board in PREIT's decision-making processes. The Board currently includes eight non-employee trustees who, by virtue of their collective leadership experience and their positions on the various committees of the Board discussed below, provide significant independent leadership and direction that complements the leadership provided by the Lead Independent Trustee, Ronald Rubin, Joseph Coradino and the other employee trustee, George F. Rubin.

*Role in Risk Oversight*

The full Board is responsible for, and is actively involved in, identifying and overseeing the management of the risks that PREIT faces. The Board retains direct decision making authority regarding the most significant of these risks, and exercises its oversight of management with respect to other risks. With respect to the exercise of direct decision making, the Board generally manages these risks through the allocation of specific duties and responsibilities to its committees, and the interaction of those committees, in performing the duties and responsibilities allocated to them, with various outside consultants, including our independent auditor and our compensation consultant. The Board typically performs its oversight function through review of reports from the Chairs of these committees, as well as through discussions and reports from management regarding any significant or developing risks. Among other relevant information, the Board receives a report annually from management describing management's methodology for identifying, assessing, mitigating, monitoring and disclosing operational and other risks. In addition, management periodically distributes and discusses with the Board an annotated list of the risks identified and discussed in the most recently filed Annual Report on Form 10-K of PREIT. The Board believes that the leadership structure discussed above, which places significant authority in the hands of its independent trustees while involving employee trustees in Board decision-making, enhances its ability to identify and oversee the risks that PREIT faces. See the following discussion for more information regarding the risks that are overseen by each committee.

*Committees of the Board*

PREIT has a standing Executive Compensation and Human Resources Committee (the Compensation Committee), a standing Audit Committee, a standing Nominating and Governance Committee and a standing

## **Table of Contents**

Special Committee under PREIT's Related Party Transactions Policy. PREIT's by-laws authorize the establishment of a standing executive committee to consist of three members. PREIT's Board of Trustees has not appointed any members to the executive committee. If duly constituted, the executive committee would be authorized to exercise all of the powers and authority of the Board of Trustees between meetings of the Board of Trustees, except for matters that are expressly reserved by PREIT's by-laws to the full Board of Trustees or to another committee of the Board of Trustees.

### *Executive Compensation and Human Resources Committee*

The Compensation Committee is comprised of Stephen B. Cohen, Chair, M. Walter D. Alessio, Leonard I. Korman and John J. Roberts. The principal duties of the Compensation Committee are to set the annual and long term compensation of PREIT's executive officers in light of existing agreements and consistent with compensation objectives and policies established by the Compensation Committee, to make recommendations to PREIT's Board of Trustees regarding incentive compensation and equity-based plans, and to administer these plans. The Compensation Committee does not have the authority to delegate any portion of its responsibilities over the compensation of PREIT's executive officers to others, although it is assisted by, and consults with, others.

The Compensation Committee met nine times during 2012. Meeting agendas are set by the Chair. The Compensation Committee considers the recommendations of PREIT's Chief Executive Officer in establishing compensation for the named executive officers including Ronald Rubin, and invited the Chief Executive Officer to participate in compensation deliberations by the Compensation Committee concerning PREIT's named executive officers.

The Compensation Committee has the exclusive authority to retain and terminate the services of executive compensation consultants to assist in the evaluation of executive officer compensation. The Compensation Committee evaluates the conflicts of interest of any consultant retained or to be retained consistent with its charter and applicable law. In October 2010, the Compensation Committee engaged Pay Governance, LLC to serve as the consultant to the Compensation Committee. The consultant periodically advises the Compensation Committee of developing compensation trends and programs among REITs and other public companies. The consultant also presented, at the Compensation Committee's direction, compensation data from several sources, including a survey of executive compensation among REITs prepared for the National Association of Real Estate Investment Trusts (NAREIT), proprietary databases developed by or available to the consultant and proxy statements of selected REITs.

The Compensation Committee's process for setting executive compensation is described under Compensation Compensation Discussion and Analysis.

### *Audit Committee*

The Audit Committee, which is comprised of John J. Roberts, Chair, Stephen B. Cohen and Donald F. Mazziotti, met four times during 2012. The principal duties of the Audit Committee are to oversee PREIT's accounting and financial reporting processes and the audit of PREIT's financial statements, to select and retain independent auditors, to review with management and the independent auditors PREIT's annual financial statements and related notes, to review PREIT's internal audit activities, to review with the independent auditors the planned scope and results of the annual audit and their reports and recommendations, and to review with the independent auditors matters relating to PREIT's system of internal controls.

PREIT's audit committee charter provides that no member of the Audit Committee may serve on the audit committee of more than two other public companies unless the Board of Trustees determines that such service would not impair the member's ability to effectively serve on PREIT's Audit Committee. John J. Roberts presently serves on the audit committees of three public companies other than PREIT. The Board of Trustees has

## **Table of Contents**

considered Mr. Roberts' service on these audit committees and has determined that Mr. Roberts' service on the other audit committees will not impair his ability to effectively serve in his role on PREIT's Audit Committee.

### *Nominating and Governance Committee*

The Nominating and Governance Committee, which is comprised of Rosemarie B. Greco, Chair, Leonard I. Korman, Donald F. Mazziotti and Mark E. Pasquerilla, met four times during 2012. The principal duties of the Nominating and Governance Committee are to identify individuals qualified to become trustees of PREIT, recommend trustee nominees and trustee committee appointments to the Board of Trustees, review annually the compensation paid to non-employee trustees, develop and recommend a set of governance principles applicable to PREIT, and oversee the evaluation of the performance of PREIT's Board of Trustees and management with respect to matters other than compensation.

While it does not maintain a formal policy on diversity, the Nominating and Governance Committee chooses candidates for the office of trustee without regard to sex, race, religion, national origin or sexual orientation. In selecting candidates for the position of trustee, the Nominating and Governance Committee and the full Board consider diversity in a broad sense, including differences of viewpoint, background, professional experience and skill, and the resulting diversity of perspectives. Its charter specifies the following minimum qualifications, qualities and skills that a committee-recommended nominee must possess: the highest character and integrity; sufficient experience to enable a meaningful contribution to PREIT and its Board of Trustees; and sufficient time available to devote to PREIT's affairs and to carry out the responsibilities of a trustee. The Nominating and Governance Committee does not solicit recommendations from shareholders regarding trustee nominee candidates, but will consider any such recommendation received in writing and accompanied by sufficient information to enable the Nominating and Governance Committee to assess the candidates' qualifications, along with confirmation of the candidates' consent to serve as a trustee if elected. Such recommendations should be sent care of Bruce Goldman, Executive Vice President, General Counsel and Secretary, Pennsylvania Real Estate Investment Trust, The Bellevue, 200 South Broad Street, Philadelphia, Pennsylvania 19102. Any recommendation received from shareholders after January 1 of any year will not be considered until the following year. In addition to considering candidates recommended by shareholders, the Nominating and Governance Committee considers potential candidates recommended by PREIT's current trustees and officers, and is authorized to utilize independent search firms to assist in identifying candidates. The process for screening candidates is the same regardless of the source of the recommendation, but only shareholder recommendations are subject to the January 1 deadline for submission for consideration in any given year. In each case, the Nominating and Governance Committee determines whether a recommended candidate meets PREIT's minimum qualifications and possesses the qualities and skills for trustees, and whether requesting additional information or an interview is appropriate.

### *Special Committee Regarding PREIT's Related Party Transactions Policy*

The Special Committee relating to PREIT's Related Party Transactions Policy, which is comprised of M. Walter D. Alessio, Chair, Leonard I. Korman and Donald F. Mazziotti, met twice during 2012. The principal duties of the Special Committee are to administer PREIT's Related Party Transactions Policy by reviewing those transactions that PREIT's General Counsel determines to be subject to the policy. See "Other Matters" Related Party Transactions Policy.

### *Meetings of Independent Trustees*

In addition to PREIT's Board and committee meetings, the independent members of PREIT's Board of Trustees meet separately at regularly scheduled meetings. The Lead Independent Trustee presides at these meetings.

### *Communicating with the Board of Trustees*

Any interested party wishing to communicate with PREIT's Board of Trustees, the independent trustees or any individual PREIT trustee on a confidential basis may do so in writing addressed, as applicable, to the Board

## **Table of Contents**

of Trustees, the independent trustees or the individual trustee and sent care of Bruce Goldman, Executive Vice President, General Counsel and Secretary, Pennsylvania Real Estate Investment Trust, The Bellevue, 200 South Broad Street, Philadelphia, Pennsylvania 19102. PREIT's General Counsel will review any such communication and will deliver such communications to the addressee.

### *Meetings of the Board of Trustees*

The Board of Trustees met 13 times during 2012. All of the trustees attended at least 75% of Board and applicable committee meetings in 2012, except Ira Lubert. The Board of Trustees' policy is that trustees are expected to attend PREIT's Annual Meeting of Shareholders. Last year, all of the trustees attended the Annual Meeting, except John Roberts.

## **Corporate Governance Guidelines and Codes of Conduct**

PREIT's corporate governance guidelines, code of business conduct and ethics for non-employee trustees, code of business conduct and ethics for officers and employees (which includes the code of ethics applicable to our chief executive officer, principal financial officer and principal accounting officer), related party transactions policy and the governing charters for the Audit, Nominating and Governance and Compensation Committees of PREIT's Board of Trustees are available free of charge on PREIT's website at [www.preit.com](http://www.preit.com), as well as in print to any shareholder upon request. PREIT's Board of Trustees and Nominating and Governance Committee regularly review corporate governance developments and modify these guidelines, codes and charters as warranted. Any modifications or waivers are reflected on PREIT's website as soon as practicable.

### *Trustee Independence*

More than half (8 out of 11) of the members of PREIT's Board of Trustees are independent trustees. For a trustee to be considered independent, PREIT's Board of Trustees must determine that the trustee does not have any direct or indirect material relationship with PREIT. PREIT's Board of Trustees has established guidelines to assist it in determining trustee independence, which are contained in the Company's corporate governance guidelines. These guidelines conform to the independence requirements contained in the New York Stock Exchange listing rules. In addition, PREIT's Board of Trustees has adopted categorical standards to assist it in making determinations of independence.

### *Standards of Independence*

The guidelines and the categorical standards that PREIT's Board of Trustees uses to determine whether a trustee is independent specify that:

1. Other than in his or her capacity as a trustee or shareholder of PREIT, no independent trustee shall have a material relationship with PREIT (either directly or as a partner, shareholder, officer or other affiliate of an organization, including a charitable organization, that has a material relationship with PREIT). For this purpose, a trustee shall be presumed not to have a material relationship with PREIT if he or she is not and, within the past two years, has not been an executive officer of, or the direct or indirect owner of more than 10% of the equity interest in, any business or professional entity:

that within the last two years has made or received, or going forward proposes to make or receive, payments to or from PREIT or any of its subsidiaries for property or services in excess of 5% of (i) PREIT's consolidated gross revenues for its last full fiscal year, or (ii) the other entity's consolidated gross revenues for its last full fiscal year; or

to which PREIT or any of its affiliates is indebted in an aggregate amount exceeding 5% of PREIT's total consolidated assets as of the end of PREIT's last full fiscal year.

## **Table of Contents**

2. No independent trustee shall have been employed by PREIT, and no immediate family member of an independent trustee shall have been an executive officer of PREIT, within the past three years.
3. No independent trustee shall have received more than \$120,000 in direct annual compensation from PREIT within the past three years, other than trustee and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service).
4. No independent trustee shall have been affiliated with or employed by a present or former auditor of PREIT within the last three years.
5. Within the last three years, no independent trustee shall have been an employee of another company if an executive officer of PREIT then served on the compensation committee of such other company.
6. Within the last three years, no independent trustee shall have served as an executive officer or employee of a company that made payments to, or received payments from, PREIT for property or services in an amount which, in any single fiscal year, exceeded the greater of \$1 million or 2% of such other company's consolidated gross revenues.
7. No immediate family member of an independent trustee shall fit within the categories prohibited by any of the foregoing (other than with respect to the prohibition on employment by PREIT, which addresses immediate family members directly), and no independent trustee may have any relationships with PREIT that are substantially similar to any of the categories prohibited by the foregoing.
8. Independent trustees shall satisfy any other independence criteria required by applicable law or regulation or established by the Board of Trustees.

The Board of Trustees determined that the following 8 members of PREIT's 11 member Board satisfy the New York Stock Exchange's independence requirements and PREIT's guidelines: Stephen B. Cohen, M. Walter D. Alessio, Rosemarie B. Greco, Leonard I. Korman, Ira M. Lubert, Donald F. Mazziotti, Mark E. Pasquerilla and John J. Roberts. If elected, Mr. Pizzi will also satisfy the New York Stock Exchange independence requirements and PREIT's guidelines.

All members of each of the Compensation Committee, Audit Committee and Nominating and Governance Committee of PREIT's Board of Trustees must be, and are, independent trustees. Members of the Audit Committee must also, and do, satisfy additional Securities and Exchange Commission independence requirements, which provide that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from PREIT or any of its subsidiaries other than compensation for serving on PREIT's Board of Trustees or on committees of PREIT's Board of Trustees.

### *Related Party Transactions Policy*

PREIT's Board of Trustees has adopted a written policy related to the review and approval or ratification of related party transactions. The procedures set forth in the policy do not replace or supersede any other policies or procedures related to the approval of transactions by PREIT as set forth in PREIT's other corporate governance policies or as required by law. See Other Matters Related Party Transactions Policy

### *Compensation Committee Interlocks and Insider Participation*

No member of PREIT's Compensation Committee is or was during 2012 an employee, or is or ever has been an officer, of PREIT or its subsidiaries. No executive officer of PREIT served as a director or a member of the compensation committee of another company, one of whose executive officers serves as a member of PREIT's Board of Trustees or Compensation Committee.





**Table of Contents***Section 16(a) Beneficial Ownership Reporting Compliance*

Section 16(a) of the Securities Exchange Act of 1934 requires PREIT's executive officers and trustees and persons who own more than ten percent of a registered class of PREIT's equity securities (collectively, the reporting persons) to file reports of ownership and changes in ownership with the Securities and Exchange Commission and to furnish PREIT with copies of these reports. Based on PREIT's review of the copies of the reports it has received, and written representations received from certain reporting persons with respect to the filing of reports on Forms 3, 4 and 5, PREIT believes that all filings required to be made under Section 16(a) by the reporting persons since the beginning of 2012 were made on a timely basis.

*2012 Trustee Compensation*

Each trustee who is not an employee of PREIT received an annual retainer for 2012 of \$35,000, plus \$1,500 per Board of Trustees or committee meeting in which the trustee participated. In addition, the Lead Independent Trustee receives an additional retainer of \$25,000, the Chair of PREIT's Audit Committee receives an additional retainer of \$15,000, while the Chairs of the Compensation Committee and the Nominating and Governance Committee each receive an additional annual retainer of \$10,000, and the Chair of the Special Committee established under PREIT's Related Party Transactions Policy receives an additional annual retainer of \$5,000. Non-employee trustees also typically receive restricted shares annually which vest over three years. In 2012, the Board of Trustees determined that the award of restricted shares to non-employee trustees would be equal in value to \$55,000, which equated to 4,258 shares based on the \$12.91 average of the closing prices of PREIT shares for the 20 trading days prior to the date of grant. The shares were awarded under the Second Amended and Restated 2003 Equity Incentive Plan and the 2008 Restricted Share Plan for Non-Employee Trustees. In addition, it has been the practice of PREIT to grant each newly-elected trustee an option to purchase 5,000 shares that vests over four years.

The following table summarizes the fees and other compensation earned by our non-employee trustees for their service on our Board of Trustees and any committees of the Board of Trustees during 2012.

Name	Fees Earned or Paid in	Stock Awards	Option	Total (\$)
	Cash (\$)	(\$) <sup>(1)</sup>	Awards (\$)	
Dorrit J. Bern <sup>(2)</sup>	15,000	0	0	15,000
Stephen B. Cohen	84,000	55,865	0	139,865
M. Walter D. Alessio	98,000	55,865	0	153,865
Rosemarie B. Greco <sup>(3)</sup>	54,000	55,865	21,735	131,600
Leonard I. Korman	75,500	55,865	0	131,365
Ira M. Lubert	51,500	55,865	0	107,365
Donald F. Mazziotti	66,500	55,865	0	122,365
Mark E. Pasquerilla	60,500	55,865	0	116,365
John J. Roberts	87,500	55,865	0	143,365

- (1) The amounts reported in the Stock Awards column represent the grant date fair value as determined in accordance with Topic 718 based on the average of the high and low sale prices of a common share on the date of grant. For information regarding significant factors, assumptions and methodologies used in our computations pursuant to Topic 718, see Note 8, Share Based Compensation, to PREIT's consolidated financial statements included in PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

**Table of Contents**

The following table summarizes the aggregate number of restricted shares and options held by our non-employee trustees at December 31, 2012.

<b>Name</b>	<b>Restricted Shares</b>	<b>Total Options</b>	<b>Exercisable Options</b>	<b>Unexercisable Options</b>
Stephen B. Cohen	8,129	5,000	5,000	0
M. Walter D. Alessio	8,129	5,000	5,000	0
Rosemarie B. Greco	4,258	5,000	0	5,000
Leonard I. Korman	8,129	0	0	0
Ira M. Lubert	8,129	0	0	0
Donald F. Mazziotti	8,129	5,000	5,000	0
Mark E. Pasquerilla	8,129	5,000	5,000	0
John J. Roberts	8,129	5,000	5,000	0

- (2) Ms. Bern did not stand for reelection at the 2012 Annual Meeting of Shareholders.
- (3) Ms. Greco was awarded 5,000 options in 2012 in connection with becoming a trustee; the amount reported in the Option Awards column for Ms. Greco represents the grant date fair value of these options as determined in accordance with Topic 718.

---

**Table of Contents**

**COMPENSATION**

**PROPOSAL TWO**

**ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION**

In accordance with Securities and Exchange Commission ( SEC ) requirements, our shareholders have the opportunity to vote, on a non-binding basis, to approve the compensation of our named executive officers, as disclosed in this Proxy Statement in accordance with SEC disclosure rules.

We urge you to read the Compensation Discussion and Analysis section beginning on page 24 and the compensation tables and narrative discussion beginning on page 40 of this Proxy Statement. We believe that the compensation of our named executive officers should be approved for the following reasons:

Compensation decisions are made by independent trustees, who are not part of management and comprise the Executive Compensation and Human Resources Committee of our Board of Trustees (the Compensation Committee ). These decisions result from a formal deliberative process, including advice from an independent compensation consultant selected by the Compensation Committee.

The principal goals of the Compensation Committee are to ensure that the interests of our shareholders and the interests of our named executive officers are aligned and that our named executive officers are motivated to achieve established business objectives in an effort to maximize value for our shareholders. These goals are achieved in five principal ways: (i) limiting fixed, base salary so that the largest component of the compensation of a named executive officer consists of equity and incentive compensation; (ii) preferring equity compensation to cash compensation; (iii) conditioning the vesting of equity or equity based compensation on corporate performance and/or continued service to PREIT; (iv) tying annual cash incentives to operating performance, as measured primarily, but not exclusively, by Funds From Operations ( FFO ), and taking into consideration additional articulated performance metrics, the achievement of which are deemed important for reaching our business goals; and (v) requiring named executive officers to own minimum stated amounts of our securities.

The equity awards align the interests of our shareholders and our named executive officers by encouraging officers to focus on corporate performance in an effort to generate an increase in share value. Vesting of Restricted Share Units ( RSUs ) granted under our RSU Programs is dependent upon achieving relative total shareholder return ( TSR ) thresholds over a three-year period. The RSUs have directly aligned the interests of our named executive officers with the interests of our shareholders since there has been no vesting for periods when returns to shareholders were below the threshold under the applicable RSU Program, and vesting has occurred when relative returns to shareholders met the criteria. RSUs have been awarded in all but one year since 2006 and, based on relative TSR, none of the RSUs had vested prior to December 31, 2012. Due to the relative TSR of the Company for the three years ended on December 31, 2012, which placed the Company at the 90th percentile of the companies in the relevant index, the maximum number of shares were issued pursuant to the RSUs awarded in 2010.

The structure of our annual cash incentive awards in 2012 was modified from the structure used in prior years to permit the Compensation Committee to consider, in addition to FFO per share, the key metrics of same store net operating income, the leverage ratio of the Company under its principal credit facility, the success of management in selling non-core assets and the ratio of general and administrative expenses to gross revenue, which were important to the goals of the Company for the year. While FFO remained the single most significant metric under the awards, the Compensation Committee had the right to consider these other metrics which, depending upon the judgment of the Committee, in the aggregate could be as or more significant than FFO in determining payments under the awards. In the case of Mr. Ronald Rubin, his 2012 cash incentive opportunity award was based

**Table of Contents**

upon the success of the transition of his former duties as Chief Executive Officer. See Compensation Compensation Discussion and Analysis Components of Executive Compensation 2. Cash Incentive Compensation.

The general and administrative costs of the Company, which include executive compensation expense, as a percentage of revenues, declined in 2012. In addition, ongoing compensation payable to senior executive officers has been reduced by the separation during 2012 of three senior officers, none of whom has been replaced at a comparable compensation level.

We seek the approval of the resolution set forth below:

RESOLVED, that the shareholders of PREIT approve, on an advisory basis, the compensation of the named executive officers as disclosed in the Proxy Statement for the 2013 Annual Meeting of the Shareholders pursuant to the applicable disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2012 Summary Compensation Table and the other related tables and accompanying narrative.

This say on pay vote is advisory, and is not binding on PREIT, the Board of Trustees or the Compensation Committee. However, we value the opinions of our shareholders, and the Compensation Committee will consider the results of the vote on the resolution and evaluate whether any actions in response to the vote are necessary in connection with future compensation determinations.

*Board Recommendation*

Our Board of Trustees recommends that shareholders vote FOR the advisory approval of the Company's executive compensation as disclosed in this Proxy Statement.

**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS**

*Introduction*

This Compensation Discussion and Analysis ( CD&A ) focuses on the compensation of our named executive officers: Joseph F. Coradino, Chief Executive Officer; Ronald Rubin, Executive Chairman; George F. Rubin, Vice Chairman; Robert F. McCadden, Executive Vice President and Chief Financial Officer; Bruce Goldman, Executive Vice President, General Counsel and Secretary; and Edward A. Glickman, our former President and Chief Operating Officer.

Each of the named executive officers other than Mr. Glickman currently has an employment agreement, which is described in this Proxy Statement under 2012 Executive Compensation Employment Agreements beginning on page 42. The employment agreements established minimum base salaries and eligibility to participate in cash incentive and equity programs in 2012, as determined by the Compensation Committee. Mr. Glickman's employment agreement was terminated in 2012 in connection with his departure from the Company.

*Executive Transition and 2012 Performance*

Significant changes occurred during 2012 in the composition of our senior executive team. Most important, Mr. Ronald Rubin, our Chief Executive Officer, initiated a transition of the role of CEO to Mr. Joseph F. Coradino, who had served since joining the Company in 1997 as the executive chiefly responsible for our leasing operations, property management and redevelopments and as a key member of senior management. Our Board of Trustees endorsed Mr. Rubin's initiative and, on June 7, 2012, the date of our Annual Meeting of Shareholders, the transition formally took place. Mr. Rubin was elected to the position of Executive Chairman, with the responsibility of assisting in the transition of the CEO role, supporting Mr. Coradino in his new office and furthering the objectives of the Company.

In addition, three senior executive officers, the former Chief Operating Officer and two executive vice presidents, separated from the Company last year. Although the costs associated with the separations and the transition described above resulted in a charge to earnings for 2012 and 2013, the result is both a reduction in ongoing operating expenses and a smaller executive team. This team has a sharper delineation of responsibilities and a focus on the articulated objectives for the Company set forth by Mr. Coradino and described in our Annual Report on Form 10-K for the year ended December 31, 2012.

Immediately upon his selection by the Board in March 2012 and the announcement of his appointment, Mr. Coradino began to plan and implement the transition, including defining, and in many cases expanding, the roles of key executives and establishing long-term goals for the Company, communicating those goals to Company employees and encouraging a more collaborative effort among the departments within the Company for the achievement of those goals.

These efforts contributed to operational and financial improvements since the beginning of 2012, which included:

TSR of 76% for 2012, which ranks in the 99<sup>th</sup> percentile of the MSCI US REIT Index, and 141% for the three-year period, which ranks in the 90<sup>th</sup> percentile;

reduction in the leverage ratio of the Company under its principal credit facility (the ratio of Total Liabilities to Gross Asset value, as defined therein) by approximately 450 basis points;

an increase in same store sales for the third consecutive year to \$378 per square foot, from \$370 per square foot;

**Table of Contents**

an increase in Same Store Net Operating Income;

FFO as adjusted per diluted share within the Company's guidance range;

an increase in lease renewal spreads over the prior rent;

successful completion of two capital market transactions; and

initiating the sales of three non-core assets that closed in early 2013.

The Compensation Committee met four times during 2012 to consider appropriate amendments to the employment agreements of Mr. Coradino and Mr. Rubin to reflect the transition in their roles. In connection with the amendment to Mr. Coradino's agreement, the Compensation Committee approved a grant to Mr. Coradino of 100,000 restricted shares that will vest in three equal annual installments commencing June 7, 2013. The grant was made in recognition of the significance to the Company of Mr. Coradino's service as Chief Executive Officer and the substantial additional responsibilities associated with that office. The grant of an equity award is also consistent with the emphasis of the Compensation Committee on the use of equity to compensate our named executive officers as a means of aligning their long-term interests with those of the Company and our shareholders. Also, in connection with the amendment to his employment agreement, Mr. Coradino agreed to reduce the interest rate applied to his non-qualified supplemental retirement plan (annual contributions under which were increased from \$35,000 to \$50,000) to 5% from 10% per year, to the elimination of any reimbursement for excise taxes he might incur in connection with any severance payable upon a change of control of the Company and, commencing June 7, 2014, to reduce his severance payment, in connection with a termination without cause or for good reason (not related to a change of control), to 1.1 times his base salary and average bonus (as determined under his employment agreement) from the \$2,344,524 early separation payment he would be entitled to prior to June 7, 2014.

Mr. Rubin's amended employment contract provides for a founder's retirement payment of \$3,500,000 payable to Mr. Rubin if he separates from the Company for any reason except a voluntary termination without good reason prior to June 7, 2013 or termination by the Company for cause at any time. The Compensation Committee provided the founder's retirement payment to recognize Mr. Rubin's contributions to the Company as its Chief Executive Officer from 1997 to 2012 and the thoughtful and deliberate manner in which he facilitated the orderly transition of his office over a reasonable period of time. As part of the amendments to his employment agreement, Mr. Rubin agreed to reduce the interest rate applied to his non-qualified supplemental retirement plan (annual contributions under which were reduced from \$100,000 to \$71,500 for 2012 and \$50,000 thereafter) to 5% from 10% per annum, to the elimination of any reimbursement for excise taxes he might incur in connection with any severance payable upon a change of control of the Company and to eliminate any severance payments under his employment agreement.

## **Table of Contents**

### *Aspects of Compensation Program Favorable from a Corporate Governance Perspective*

The Committee believes that the executive compensation program includes aspects that align the interests of our shareholders and those of the named executive officers and does not include aspects that could misalign their interests.

#### **What We Do**

**We align pay with Company performance.** Long term performance based equity awards are tied to relative TSR, and annual performance based cash awards are tied to key operational and financial metrics.

**We require named executive officers to maintain share ownership and retain shares received under equity plans.** Our CEO must own common shares having a value of 5 times his salary and our other named executive officers must own common shares having a value of 2-3 times their respective salaries; named executive officers must hold a portion of any equity plan shares they receive for one year.

**We require a double-trigger (both a change of control of the Company and timely termination of employment without cause or for good reason) before agreed cash severance benefits are paid.**

**We review market data relative to our peer group of companies and the REIT industry when making executive compensation decisions.**

**We consider carefully how compensation program design and decisions affect risk taking by named executive officers.**

**We authorize the Board to recoup ( clawback ) executive compensation that resulted from a misstatement of financial results caused by the executive s intentional misconduct or fraud.**

**Our Compensation Committee engages an outside independent compensation consulting firm to advise on executive compensation matters.**

#### **What We Don t Do**

**We strongly discourage hedging and pledging transactions.**

**We do not pay excess perquisites.**

**We do not reprice options without shareholder approval.**

**Our Compensation Committee does not permit its compensation consultant to provide any other services to the Company.**





## **Table of Contents**

### *Executive Summary*

The principal goals of the Compensation Committee are to ensure that the interests of our shareholders and our named executive officers are aligned and that our named executive officers are motivated to achieve established business objectives designed to maximize value for our shareholders. These goals are achieved in five principal ways: (i) limiting fixed, base salary so that the largest component of compensation of a named executive officer consists of equity and incentive compensation; (ii) preferring equity compensation to cash compensation; (iii) conditioning the vesting of equity or equity based compensation principally on corporate performance and/or continued service to PREIT; (iv) tying annual cash incentives to operating performance, as measured primarily, but not exclusively, by Funds From Operations ( FFO ), and taking into consideration additional articulated performance metrics, the achievement of which are deemed important for reaching our business goals; and (v) requiring named executive officers to own minimum stated amounts of our securities.

The Compensation Committee believes that long-term equity awards are particularly well-suited for aligning the interests of our shareholders and our named executive officers. Compensation in the form of equity earned over a multiple-year period helps to ensure that the named executive officers focus on corporate performance that enhances the value of our shares. These objectives are further enhanced by our share retention guidelines, which require our executives to own meaningful amounts of our shares. Consistent with the Compensation Committee's philosophy, base salary increases were limited to 3% in 2012 for each of the named executive officers, other than Mr. Glickman, whose salary was increased by \$25,000 pursuant to the terms of his employment agreement. In connection with Mr. Coradino becoming Chief Executive Officer, his base salary was increased further, from approximately \$434,000 to \$550,000, to account for his increased responsibilities. Mr. Ronald Rubin's base salary was reduced from approximately \$580,000 to \$300,000, effective upon his transition from Chief Executive Officer to Executive Chairman.

Consistent with prior years, the 2012 long-term equity program consisted of two components. The first component, which is performance-based, consisted of the grant of restricted share units, or RSUs, that vest and under which shares are issued, based upon the TSR of PREIT during the three-year period ending December 31, 2014 relative to the TSR of companies in a broad REIT index. The second component consisted of restricted shares that generally vest in equal, annual installments over a three-year period, provided that the recipient of the restricted shares is an employee on the vesting date. These time based restricted share grants are intended to retain the services of the officers over the longer term by providing predictable awards for continued service.

The Compensation Committee believes that annual cash incentive opportunity awards further align the interests of our shareholders and our named executive officers by rewarding achievement of key operational goals. Except for Mr. Ronald Rubin, the 2012 cash incentive awards provided opportunities for the named executive officers to receive cash payments equal to varying percentages of their base salaries based primarily upon achievement of FFO per share relative to our 2012 business plan. The Compensation Committee had the discretion to adjust the threshold, target and outperformance levels of FFO established under the awards if, in the judgment of the Compensation Committee, our reported FFO did not reflect our performance in 2012 in a manner consistent with the purposes of the cash incentive awards. Although FFO was the primary factor for determining cash incentive compensation for 2012, it was not expected to be the sole factor, and the Compensation Committee had the discretion to consider other business performance factors, including, principally, same store net operating income, the leverage ratio of the Company under its principal credit facility, the success of management in selling non-core assets and the ratio of general and administrative expenses to gross revenue, and to accord them such weight as the Compensation Committee deemed appropriate. In the case of Mr. Ronald Rubin, his 2012 cash incentive opportunity award was based upon the success of the transition of his former duties as Chief Executive Officer. In the case of Mr. Goldman, 65% of his 2012 cash incentive opportunity award was based upon achievement of FFO per share and other business performance factors, and, because the performance of some of his duties as general counsel might not have as direct a connection to business performance metrics, the balance of his award was based upon his individual performance.

## **Table of Contents**

The Compensation Committee believes that our compensation program has successfully aligned the interests of our shareholders with the interests of our named executive officers, as reflected by:

constraints on base salary increases (except upon significant changes in responsibilities);

the emphasis on equity awards, combined with the requirement that equity received by the named executive officers under the awards be retained in accordance with policies discussed later in this Compensation Discussion and Analysis section;

the expiration of performance based equity awards without issuance of shares when TSR thresholds have not been achieved for the relevant measurement periods and, conversely, the issuance of shares in connection with long-term incentives when relative TSR thresholds have been achieved; and

the grant of annual cash incentive opportunity awards based primarily upon FFO per share, the core measure of our operating performance, and other business performance factors deemed relevant by the Compensation Committee.

At the 2012 Annual Meeting, 95.4% of votes cast were voted in favor of the Company's executive compensation, while 3.9% of votes cast were voted against and 0.6% of votes cast abstained. While this vote is advisory, the Compensation Committee noted this shareholder support of its compensation policies.

### *Compensation Committee Process and General Considerations*

The Compensation Committee devoted all nine of its meetings in 2012, including meetings in connection with the Chief Executive Officer transition, to executive compensation for that year. In addition, the Compensation Committee met in 2013 to discuss payment of cash incentive opportunity awards for 2012. The Compensation Committee considered, among other matters:

the objectives and policies of its compensation programs for 2012 and later years;

information on compensation of senior executives derived from industry surveys and proxy statements for prior years for a group of 17 REITs deemed comparable to PREIT for this purpose;

the design of the annual cash incentive and long-term incentive programs in light of the principal objective of aligning the interests of our shareholders and our named executive officers by rewarding outcomes that further the interests of our shareholders;

the base salaries to be paid and annual cash incentive opportunity and long-term equity awards to be granted to our named executive officers for 2012; and

at four of its meetings in 2012, the Compensation Committee discussed Mr. Coradino's promotion to Chief Executive Officer and Mr. Ronald Rubin's transition to Executive Chairman, and the resulting changes in their employment agreements and compensation. In setting 2012 compensation, the Compensation Committee considered our performance during 2011 in view of the financial goals set forth under our 2011 business plan, which was approved by the Board of Trustees. The Compensation Committee also solicited and considered the recommendations of Messrs. Coradino and Ronald Rubin regarding the components and amounts of compensation to be paid to the named executive officers in 2012.

## Edgar Filing: PENNSYLVANIA REAL ESTATE INVESTMENT TRUST - Form DEF 14A

As a part of its annual review of PREIT's compensation policies with respect to all employees, the Compensation Committee also evaluates the risks that are created by those policies, including the risk-taking incentives that those policies may create. Based on that review, the Compensation Committee has concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on PREIT.

## **Table of Contents**

### *Compensation Consultant*

The Compensation Committee was assisted in its work by an independent consultant, Pay Governance, LLC. Under its charter, the Compensation Committee has the sole authority to engage (and replace) an executive compensation consultant. In addition to consulting on executive compensation matters, the consultant was asked by the Nominating and Governance Committee to advise on trustee compensation matters and may be engaged by the Compensation Committee for special projects. All of the work performed by the consultant in 2012 related to executive officer and trustee compensation. Judith Baker, our Senior Vice President-Human Resources, meets with the Compensation Committee and separately with the consultant on matters relating to the compensation of the named executive officers.

### *Compensation Consultant Independence*

The policies and procedures of Pay Governance, LLC and certain additional facts give the Compensation Committee confidence that the advice it receives from Pay Governance, LLC is objective and not influenced by any relationships that Pay Governance, LLC or its affiliates may have with the Company, its Board of Trustees or management. These policies, procedures and other facts include the following:

Pay Governance, LLC does not provide any other services to the Company;

the fees that Pay Governance, LLC receives from the Company are less than 1% of the total revenues of Pay Governance, LLC;

the lead consultant from Pay Governance, LLC does not have any business or personal relationship with any member of the Compensation Committee or any executive officer of the Company;

the lead consultant from Pay Governance, LLC does not own any Company securities and is prohibited from doing so per the policies of Pay Governance, LLC;

Pay Governance, LLC has direct access to the Compensation Committee without management intervention and will only provide services at the direction of the Compensation Committee or in support of its charter; and

Pay Governance, LLC will notify the Compensation Committee if the lead consultant provides consulting services to another company where an affiliation exists with a member of management or a member of the Compensation Committee.

### *Comparative Peer Groups*

The consultant periodically informs the Compensation Committee of developing compensation trends and programs among REITs and other public companies. The consultant also presents data on executive compensation from several sources, including a survey of executive compensation among REITs prepared for the National Association of Real Estate Investment Trusts ( NAREIT ), a proprietary database provided by the consultant and proxy statements of a group of REITs (the peer group ) deemed comparable to PREIT. The peer group for 2012 compensation purposes consisted of 17 REITs located throughout the United States, many of which own and operate retail properties, although the peer group also included office, industrial, multi-family and diversified REITs. The Compensation Committee, in consultation with the consultant and management, updates the peer group periodically. The Compensation Committee made no changes to the peer group for purposes of compensation deliberations for 2012. The peer group consisted of the following REITs: Brandywine Realty Trust, CBL & Associates Properties, Corporate Office Properties Trust, Cousins Properties Incorporated, Developers Diversified Realty Corp., Equity One, Inc., Federal Realty Investment Trust, Glimcher Realty Trust, Highwoods Properties, Inc., Liberty Property Trust, Macerich Company, PS Business Parks, Inc., Regency Centers Corp., Tanger Factory Outlet Centers, Inc., Taubman Centers, Inc., Washington Real Estate Investment Trust and Weingarten Realty Investors.



## **Table of Contents**

In determining compensation for 2012, the Compensation Committee compared (i) the total 2011 compensation of the named executive officers to the total compensation paid to the executive officers in the peer group as reported in their 2011 proxy statements and in other sources and (ii) the allocation of total compensation of the named executive officers among base salary and cash incentive and equity awards to the allocation of such compensation among base salary and cash incentive and equity awards as reported in the proxy statements for the companies in the peer group and in other sources. The Compensation Committee also compared PREIT's FFO growth rate, TSR and other business performance metrics to the FFO growth rate, TSR and other business performance metrics of the peer group companies. NAREIT defines FFO, which is a non-GAAP measure commonly used by REITs, as net income excluding gains and losses on sales of operating properties, extraordinary items (computed in accordance with United States generally accepted accounting principles, or GAAP) and significant non-recurring events that materially distort the comparative measurement of company performance over time; plus real estate depreciation and amortization; and after adjustments for unconsolidated partnerships and joint ventures to reflect funds from operations on the same basis. TSR is a measure of the financial return to shareholders over a specified measurement period. The return consists of dividends on a share of PREIT during the period (which are deemed to be reinvested in shares when paid) plus (or minus) the increase (or decrease) in the market value of a share measured from the beginning to the end of the period.

The comparative compensation data provided background for assessing both the competitiveness of our compensation and the appropriate allocation between the elements of compensation. The Compensation Committee deemed the peer group comparisons to be more relevant to its compensation decisions than the consultant's proprietary database and the NAREIT survey because it is a smaller comparison group that is more similar to us in terms of total capitalization, revenues, number of properties, number of employees, geographic location and other business characteristic and pertinent factors. The Compensation Committee does not set specific competitive pay targets or objectives, or otherwise engage in formal benchmarking of the individual components of compensation paid to the named executive officers against executives at peer group companies. The Compensation Committee does, however, generally try to set total compensation, including compensation in the form of performance based awards, for the named executive officers near the middle of the peer group data for their respective positions. The awards are designed to allow for the possibility of greater or lesser compensation based upon our performance.

The Compensation Committee also considers special or unusual matters that affect the metrics used to measure corporate or operational performance for purposes of the performance based elements of compensation. Such matters can directly affect FFO and indirectly affect TSR, the two primary metrics used in the performance based awards. In addition, the Compensation Committee may take into consideration other business performance factors in determining the amount of the payout under the cash incentive opportunity awards. Such other business performance factors may also provide a context for evaluating our FFO performance.

As part of its deliberations, especially with respect to the weighting given to the various components of compensation, the Compensation Committee reviews internally-prepared tally sheets for each named executive officer. Each of these tally sheets presented the dollar amount of each component of each named executive officer's compensation, as well as potential payments under various performance, termination and change of control scenarios.

### *Role of Our Executive Officers in Executive Compensation*

As previously noted, Messrs. Coradino and Ronald Rubin, with assistance from our Senior Vice President-Human Resources, Judith Baker, and after consultation with other senior officers, made 2012 compensation recommendations for our officers, including the other named executive officers. The Compensation Committee discussed these recommendations with Messrs. Coradino and Rubin and invited them to participate in the Compensation Committee's deliberations concerning compensation for the named executive officers. Discussions concerning the 2012 compensation of the named executive officers other than Messrs. Coradino and Ronald Rubin occurred at multiple meetings of the Compensation Committee. The 2012 compensation for

## **Table of Contents**

Messrs. Coradino and Ronald Rubin were set forth in their respective amended and restated employment agreements, each entered into on April 25, 2012 and effective as of June 7, 2012, the date on which Mr. Coradino became Chief Executive Officer and Mr. Ronald Rubin became Executive Chairman.

### *Compensation Objectives and Policies*

The principal objectives of our compensation program are to ensure that the interests of our shareholders and the interests of our named executive officers are aligned and that our named executive officers are motivated to achieve established business objectives in order to maximize shareholder value. Our compensation program for 2012 consisted of three elements: (i) base salary; (ii) annual cash incentive opportunity; and (iii) equity under a long-term incentive program. These three elements are designed to contain an appropriate level and mix of compensation that emphasizes performance based compensation and equity to align the interests of our shareholders and our named executive officers and, if performance is achieved, to provide the officers with an opportunity for wealth creation. We also seek to motivate the named executive officers by providing a competitive level of base salary and time based restricted shares to incent them to stay by having a mechanism to impose an opportunity cost for departing.

The express linkage of program elements to TSR and FFO and other key operating performance metrics, combined with an established share retention policy for the named executive officers, results in a layered approach intended to balance achievement of short-term operating objectives with longer term value creation for our shareholders. FFO is used as the primary, but not sole, measure of short-term performance associated with our cash incentive opportunity awards, and relative TSR is used as the sole measure of long-term performance associated with equity based compensation. The mix of the compensation components as set forth in the 2012 Summary Compensation Table on page 40 is shown below on an aggregate basis for the named executive officers.

- (1) Long term incentive compensation consisted largely of equity awards made in 2012 and 2011. In addition, because of constraints on the number of shares available in 2009 under our equity incentive plans, we made performance-based, long term incentive awards in 2009 that were tied to TSR and paid in the form of cash. The measurement period for these cash incentives ended December 31, 2011, and because performance goals were achieved, and the awards were earned and paid in cash, their value is required to be included in 2011 compensation, together with the value of the equity awards made in 2011 that vest in future years.
- (2) Includes contributions to and interest on non-qualified retirement plans, our contributions to 401(k) Plan accounts of the named executive officers, and core benefits (such as medical insurance) that we pay for our employees generally. Excludes a \$2,787,359 separation payment made to Mr. Glickman in connection with his departure from the Company.

## **Table of Contents**

### *Components of Executive Compensation*

#### 1. Base Salary

Base salaries are intended to (i) be competitive with companies in the peer group, (ii) provide the named executive officers with a fixed and predictable source of income and (iii) assure that the named executive officers remain committed to PREIT even when conditions do not permit the achievement of short-term performance goals. At the beginning of 2012, the employment agreement for each named executive officer established a minimum base salary. In the case of each named executive officer, other than Mr. Glickman, that minimum base salary may be increased at the discretion of the Compensation Committee. Once increased, the base salary may not be decreased. Mr. Glickman's employment agreement provided for annual increases in base salary of at least \$25,000. Mr. Glickman waived this requirement for 2010 and 2011, but not for 2012.

The Compensation Committee approved a 3% increase in 2012 base salaries for each of the named executive officers other than Mr. Glickman. The decision to increase base salaries 3% was consistent with the recommendation for substantially all of our officers. The Compensation Committee viewed the increase as appropriate based on peer group and other data it reviewed. The decision to grant only a modest increase in base salary was consistent with the goal of the Compensation Committee to emphasize the performance based and equity components of compensation.

In addition to these increases, in connection with Mr. Coradino becoming Chief Executive Officer, his base salary was increased to \$550,000 from approximately \$434,000 effective as of June 7, 2012. In setting Mr. Coradino's new base salary, the Committee considered the increase in his responsibilities upon becoming Chief Executive Officer and the level of his salary compared to chief executive officers at peer group companies. In connection with Mr. Ronald Rubin becoming Executive Chairman, his salary was reduced to \$300,000 from approximately \$580,000 effective as of June 7, 2012. In setting Mr. Ronald Rubin's new base salary, the Committee considered the new role he would be assuming, his responsibilities in that role, and his importance to the transition in the leadership of the Company.

#### 2. Cash Incentive Compensation

Each named executive officer was eligible to receive annual cash incentive compensation equal to a specified percentage of his 2012 base salary. Prior to 2011, the sole factor determining the level of the annual cash incentive opportunity for our named executive officers had been FFO per share. In 2011, the Compensation Committee retained the authority to determine up to 20% of the annual cash incentive compensation on supplemental corporate performance factors selected by the Compensation Committee. In 2012, the annual cash incentive opportunity awards were further modified to state that, while FFO per share remained the primary corporate performance factor, it was not expected to be the sole factor determining cash incentive compensation. Other factors were enumerated for possible consideration by the Compensation Committee, including principally same store net operating income, the leverage ratio of the Company under its principal credit facility, the success of management in selling non-core assets and the ratio of general and administrative expenses to gross revenue. The Compensation Committee also had the discretion to adjust the threshold, target and outperformance levels of FFO established under the awards if, in its judgment, PREIT's reported FFO did not reflect its performance in a manner consistent with the purpose of the awards. For each of the named executive officers other than Mr. Ronald Rubin and Mr. Goldman, 100% of their 2012 cash incentive opportunity award was determined by the corporate performance of the Company based upon FFO and other factors under the awards. For Mr. Ronald Rubin, his 2012 cash incentive opportunity award was based upon the success of the transition of his former duties as Chief Executive Officer. For Mr. Goldman, 65% of his 2012 cash incentive opportunity award was based on the same corporate performance factors as our other named executive officers and 35% was based on his individual performance.



**Table of Contents**

Having the annual cash incentive opportunity awards for most of the named executive officers depend solely on corporate performance is intended to encourage teamwork. FFO was selected as the primary measure of short-term corporate performance because it is the most commonly used measure of operating performance among REITs. The decision to focus on our corporate performance reflects the view that the named executive officers have the greatest ability to influence operating performance and that a substantial portion of their compensation, therefore, should be based upon FFO, as adjusted when appropriate, and other enumerated performance factors.

The 2012 annual cash incentive opportunity awards were designed to achieve the objectives of the 2012 business plan prepared by management and approved by the Board of Trustees. The goals were expressed in the awards as threshold, target and outperformance levels. If FFO per share and other corporate performance metrics had been below the threshold level, no incentive compensation would have been paid for corporate performance. If FFO per share and other corporate performance metrics had been between the threshold and target levels or the target and outperformance levels, the amount of the incentive compensation would be determined on a proportionate basis. If FFO per share and other corporate performance metrics had been above the outperformance level, the amount of incentive compensation paid would have been at the outperformance level. The potential incentive compensation for 2012 for the named executive officers was equal to the following percentages of their base salaries.

	<b>Threshold</b>	<b>Target</b>	<b>Outperformance</b>
Joseph F. Coradino <sup>(1)</sup>	50%	100%	200%
Ronald Rubin <sup>(1)</sup>	50%	100%	200%
George F. Rubin	32.5%	65%	130%
Robert F. McCadden	30%	60%	120%
Bruce Goldman <sup>(2)</sup>	30%	60%	120%
Edward A. Glickman	32.5%	65%	130%

(1) Based on blended base salary for 2012.

(2) These percentages apply both to the portion of Mr. Goldman's award based on corporate performance and the portion based on individual performance.

The Compensation Committee set the target for FFO at \$1.87 to \$1.91 per diluted share, which was within the range of our 2012 FFO guidance announced on February 23, 2012. The FFO per diluted share goals were approved with the expectation that there would be a high probability of achieving the threshold, a likelihood of achieving the target and a modest probability of achieving the outperformance level. The Compensation Committee also decided that there should be an approximately 7.5% spread between the mid-point of the target level and each of the threshold and outperformance levels. Accordingly, the threshold and outperformance levels were set at \$1.75 per diluted share and \$2.03 per diluted share, respectively. No specific numerical goals were established for enumerated corporate performance factors other than FFO per share, and such determinations, as well as determinations concerning the relative weight to be accorded to the other corporate performance factors specified under the awards, are made by the Compensation Committee.

The Compensation Committee determined that incentive compensation for 2012, based upon FFO and the other principal corporate performance factors, should be paid at the target level to all officers whose 2012 incentive compensation was based in whole or in part on corporate performance. In making this determination, the Compensation Committee considered the combined negative effect on FFO per share in 2012 resulting from several events not directly related to our core business operations. These events included expenses associated with (i) Mr. Glickman's separation from employment as well as the separation from employment of other officers of the Company, (ii) arrangements under the amended and restated employment agreement entered into in 2012 with Mr. Ronald Rubin, and (iii) the early repayment by the Company in 2012 of a portion of the term loan component of its principal credit facility. The Compensation Committee also considered the net dilutive effect on FFO per share of preferred shares sold by the Company in two separate offerings in 2012, after giving effect to interest savings from the use of the proceeds to repay debt. In the judgment of the Compensation

**Table of Contents**

Committee, these charges to FFO resulted from decisions and events that did not reflect the corporate performance of the Company in 2012. Without these items, the Compensation Committee noted that FFO per share for 2012 would have been within the target range of \$1.87 to \$1.91 per share. The Compensation Committee also considered improvements in each of the four principal corporate performance factors other than FFO per share, deeming the improvements to provide additional evidence of corporate performance at the target level in 2012. Accordingly, the Compensation Committee exercised its discretion under the awards to adjust the target range of FFO per share to \$1.61 to \$1.65. Consequently, the annual cash incentive opportunity awards for 2012 were paid out at the target level because our FFO per share was \$1.63. The Compensation Committee has exercised similar discretion in other years, such as in 2011 when the awards would have been paid at the outperformance level if FFO were calculated excluding asset impairments, in accordance with the NAREIT definition of FFO. The Compensation Committee, however, considered operating and other factors in addition to FFO per share in that year, as well as relative TSR, and determined that PREIT's performance reflected above target performance, but not the exceptional performance that would warrant awards at the outperformance level, and exercised its discretion to reduce the 2011 awards accordingly.

The amended and restated employment agreement with Mr. Ronald Rubin provided for his cash incentive to be based upon the success of the transition of the duties of the Chief Executive Officer from Mr. Rubin to Mr. Coradino as determined by the Compensation Committee, after consultation with Mr. D. Alessio, the Lead Independent Trustee, Mr. Coradino and Mr. Rubin. After such consultation, based on the success of the transition, the Compensation Committee determined to award Mr. Rubin incentive compensation for 2012 at the target level. Based upon the recommendation of Mr. Coradino, the Compensation Committee also approved an incentive cash payment to Mr. Goldman at the target level of \$66,252 for the individual performance component of his award. As a result of the determinations by the Committee summarized above, the cash incentive payments for 2012 to each of the named executive officers were (i) \$499,974 to Joseph F. Coradino, (ii) \$420,670 to Ronald Rubin, (iii) \$282,177 to George Rubin, (iv) \$249,215 to Robert McCadden, (v) \$123,038 to Bruce Goldman and (vi) \$0 to Edward Glickman. In addition, Mr. Coradino advised the Compensation Committee that Messrs. Goldman and McCadden had performed exceptional services in connection with the management transition and had assumed greater responsibilities as a result of the management changes during 2012. He recommended that, in recognition of their special efforts, they each receive an additional discretionary bonus of \$25,000, which the Compensation Committee granted.

### 3. Long Term Incentive Awards

Since 2002, long term compensation awards to our named executive officers have consisted solely of equity (except in 2009), divided evenly between performance based equity awards and time based equity awards.

*a. Restricted Share Units (RSUs).* One-half of the value of the 2012 long term compensation awards was granted in the form of RSUs (excluding the one-time grant to Mr. Coradino in recognition of his promotion to Chief Executive Officer). Under the 2012 RSU Program, an account is established for each named executive officer as of the grant date and is credited with a number of RSUs computed by dividing the stated value of the award by the 20 day average of the closing prices of a share of PREIT through the day preceding the grant date. Amounts equal to the dividends paid on an equivalent number of shares during the three-year measurement period are deemed to be invested in additional RSUs. The number of shares earned with respect to the RSU award will depend on the achievement of TSR for the measurement period of January 1, 2012 through December 31, 2014 at specified levels relative to the TSR of component companies in the MSCI US REIT Index (the Index). This Index reflects the total return to the shareholders of a broad cross section of publicly-held U.S. REITs. TSR was selected as the sole metric for the RSUs because TSR directly measures the financial return to shareholders over a specified period. As a result, these awards are directly aligned with the long-term economic interests of our shareholders.

The RSUs either vest or expire without the issuance of any shares at the end of the measurement period. A specified percentage of the RSUs in each account on that date will be converted into shares of PREIT and

## Table of Contents

delivered to the named executive officer if the TSR of PREIT for the measurement period equals or exceeds the 25th percentile of the companies in the Index for the same measurement period. If TSR does not equal at least the 25th percentile of the companies in the Index during the measurement period, the named executive officer's entire account associated with that measurement period will expire without the issuance of any shares. If TSR is equal to or above the 25<sup>th</sup> percentile of companies in the Index during the measurement period, the RSUs (including RSUs resulting from reinvestment of amounts equal to dividends) will vest and there will be issued a number of shares ranging from 50% up to a maximum of 150% (at or above the 75<sup>th</sup> percentile of companies in the Index) of the number of RSUs. In the event of a change of control, the Measurement Period for any outstanding RSU Program would end on the date of the change of control, and shares will become payable under those agreements, if at all, based on our relative TSR performance through that date.

RSUs also expire without the issuance of any shares if, during the measurement period, a named executive officer's employment is terminated for cause or voluntarily by the named executive officer without good reason, as those terms are defined in the named executive officer's employment agreement. RSUs will not expire without the issuance of any shares in the event of the termination of a named executive officer's employment by PREIT without cause or by the named executive officer for good reason, or in the event of termination of employment due to disability or death, as those terms are defined in each named executive officer's employment agreement. Under such circumstances, the RSUs will remain outstanding and will vest or expire without the issuance of any shares based on the actual TSR as determined at the end of the relevant measurement period, as if the named executive officer had remained an employee. Mr. Ronald Rubin's RSUs would also remain outstanding as described above if his employment is voluntarily terminated after June 7, 2013. All of Mr. Glickman's RSUs remain outstanding following his departure from the Company in 2012 and they will vest or expire without issuance of any shares based on the actual TSR as determined at the end of the relevant measurement period.

*b. Restricted Shares.* Restricted shares awarded in 2012 generally vest in three equal installments on or about February 15, 2013, 2014 and 2015, as long as the named executive officer remains an employee on the vesting date. The named executive officers are entitled to receive an amount in cash equal to the dividends paid on unvested time based restricted shares. While the shares remain unvested, this amount is treated as compensation and is deducted from income in the calculation of earnings per share.

The use of time based restricted shares is designed to retain the services of a named executive officer by providing a predictable award for continued service and creating a potentially significant cost to the named executive officer if he were to terminate his employment voluntarily. Moreover, since the award consists of shares which vest over a period of years, the economic interests of the executive in maintaining and enhancing the value of the shares is aligned with the long term interests of our shareholders.

In connection with the amendment to Mr. Coradino's agreement, the Compensation Committee approved a grant to Mr. Coradino of 100,000 restricted shares that will vest in three equal annual installments commencing June 7, 2013. The grant was made in recognition of the significance to the Company of Mr. Coradino's service as Chief Executive Officer and the substantial additional responsibilities associated with that office.

Vesting of restricted shares accelerates in the event of a change of control of PREIT, a termination of the named executive officer's employment by PREIT without cause, or a termination of employment by the named executive officer for good reason, as each of the terms is defined in the employment agreement of each named executive officer. Unvested restricted shares also vest in the event of termination of employment due to death or disability, as the latter term is defined in each named executive officer's employment agreement. As previously disclosed, Mr. Ronald Rubin's unvested restricted shares also vest upon his voluntary termination of employment after June 7, 2013. Under the employment agreement with Mr. Glickman, all of his unvested time based restricted shares vested in connection with his departure from the Company in 2012.

## **Table of Contents**

### *Share Ownership and Retention Guidelines*

Our Board of Trustees has adopted trustee and executive officer share ownership and retention guidelines. The guidelines have been incorporated into our Corporate Governance Guidelines, which are available on our website, [www.preit.com](http://www.preit.com). Under the guidelines, (i) the Chief Executive Officer is required to own securities of PREIT having an aggregate dollar value equal to five times his base salary, (ii) the Executive Chairman and Vice Chairman are required to maintain an aggregate value equal to three times their base salaries, and (iii) the Chief Financial Officer and any other Executive Vice President are required to maintain an aggregate value equal to two times their respective base salaries. Each named executive officer and each other covered officer is required to be in compliance with the retention requirements within five years after becoming such an officer. All officers to whom the share ownership and retention guidelines apply are in compliance with the guidelines.

Until the preceding ownership levels have been met by a covered officer, the guidelines state that each such officer shall retain 100% of the net shares received under an equity based compensation plan. Net shares received is defined to mean a number of shares equivalent to the after-tax value of shares delivered to an officer after deducting, in the case of shares acquired upon the exercise of a stock option, the exercise price for the shares. In addition, even after satisfying the ownership guidelines, each covered officer is required to retain 50% of the net shares received under an equity based compensation plan for a one year period after the vesting of shares or the exercise of options.

Non-employee trustees are required, within five years after becoming a trustee, to maintain ownership of at least 5,000 of our shares. All trustees are in compliance with our share ownership and retention guidelines, or are expected to be within the allotted time period.

### *Recoupment Policy*

We have adopted a policy on recoupment of performance-based compensation in the event of the restatement of our financial statements (also known as a clawback policy). The policy has been incorporated into our Corporate Governance Guidelines, which are available on our website, [www.preit.com](http://www.preit.com). The policy provides that, if the intentional misconduct or fraud of a senior officer or former senior officer (including any of the named executive officers) causes or partially causes us to restate all or a portion of our financial statements, the Board of Trustees may, to the extent permitted by applicable law, require the repayment of a portion or all of any cash incentive award, vested restricted shares or other incentive-based compensation paid pursuant to grants made on or after January 1, 2008 to such senior officer or former senior officer and/or may cancel any unvested restricted shares, if (1) the amount or vesting of the incentive-based compensation was calculated based upon, or dependent on, the achievement of financial or operating results that were adversely affected by the restatement and (2) the amount or vesting of the incentive-based compensation would have been less if the incentive compensation had been determined in light of the financial or operating results as restated.

### *Hedging*

Trustees and certain officers are strongly discouraged from hedging their positions in our common shares.

### *Severance Payments*

Each of the current employment agreements of the named executive officers, other than Mr. Ronald Rubin, provides for severance payments (including vesting of shares) upon a termination of employment. The severance arrangements are described under 2012 Executive Compensation Potential Payments Upon Termination or Change of Control beginning on page 50. The total payments and benefits listed in that section and the balance in the non-qualified retirement plans for a particular named executive officer shown on page 49 represent the total value that a named executive officer would have received if such officer's employment had terminated on December 31, 2012 under the circumstances discussed beginning on page 50. The severance arrangements serve

---

**Table of Contents**

to discourage named executive officers from voluntarily terminating their employment to accept other employment opportunities. In the case of a possible change of control, the severance arrangements also serve to encourage named executive officers to remain focused on their duties during a period of uncertainty. Under the amended and restated employment agreement for Ronald Rubin, Mr. Rubin is entitled to a founder's retirement payment of \$3,500,000 upon termination for any reason other than for cause or a voluntary termination before June 7, 2013. The founder's retirement payment is included in the discussion under "2012 Executive Compensation - Potential Payments Upon Termination or Change of Control" beginning on page 50.

A so-called "double trigger" requirement applies to severance payable on account of a termination of employment in connection with a change of control. Accordingly, there must be both a change of control (as defined in the applicable employment agreement) and a termination of the named executive officer's employment in order for any severance payments to be made, although all restricted shares will vest upon a change in control, and shares will become payable under RSU Programs, if at all, based on our relative TSR performance through the date of the change in control. The function of a double trigger is to encourage the named executive officers to remain in our employment or in the employment of our successor in the event that the acquiror does not alter the material conditions of employment as reflected by the events that would give rise to a good reason termination.

In the event of a termination of employment without cause or by either of Messrs. Coradino and Ronald Rubin for good reason within specified periods before or after a change of control, neither has the right to receive any reimbursement for excise tax payments that may arise under Section 4999 of the Code. However, pursuant to agreements entered into several years ago that have not otherwise been required to be amended, two named executive officers are entitled to receive, in addition to the amount otherwise payable upon termination for such events, an amount necessary to pay some or all of the excise tax on "excess parachute payments" imposed by Section 4999 of the Code. Mr. George Rubin is entitled to a sum equal to the amount of the excise tax payment. Mr. McCadden is entitled to receive a sum equal to one-half of the excise tax payment. In no case is the amount of the additional payment "grossed-up" to cover taxes assessed upon the additional payment.

In connection with Mr. Glickman's separation from PREIT in 2012, we entered into a separation agreement with Mr. Glickman. The terms of Mr. Glickman's separation agreement are discussed further under "2012 Executive Compensation - Potential Payments Upon Termination or Change of Control" on page 50.

*Share Trading Restrictions*

Officers and trustees are subject to "blackout" restrictions that prohibit trading in our securities beginning ten days prior to the end of a fiscal quarter and ending on the third business day after the public release of the results for the fiscal period, unless purchases and sales are made under a plan complying with Rule 10b5-1 under the federal securities laws.

*Non-Qualified Retirement Plans*

An unfunded, non-qualified retirement plan has been established for each of the named executive officers. Under each plan, a specified sum that varies for each named executive officer is credited to his account at the beginning of the year. The amount credited to the account of each named executive officer is based on the employment agreement between the Company and such officer and such required annual contribution is set forth in footnote (4) to the Summary Compensation Table. Interest has accrued on the credited amounts at 10% compounded annually, although for Mr. Coradino and Mr. Ronald Rubin, this accrual rate dropped to 5% beginning January 1, 2012 in connection with the negotiation and amendment of the employment agreements of Mr. Coradino and Mr. Ronald Rubin related to their new roles with the Company in 2012. The account is payable to the named executive officer within 60 days of termination of employment irrespective of the cause for termination (subject to any required delay under Section 409A of the Code). The retirement accounts are

## **Table of Contents**

intended to aid in the retention of named executive officers by providing a determinable amount of cash available upon retirement. The table on page 49 lists the amounts credited to the accounts of the named executive officers.

### *Deferred Compensation*

We do not offer a deferred compensation program under which our senior executives can elect to defer any portion of their cash compensation. We have permitted recipients of RSUs to defer receipt of the shares earned thereunder. As described above in the section entitled *Non-Qualified Retirement Plans*, we also provide non-elective deferred compensation, as specified in the employment agreements of the named executive officers, which is based solely on employer contributions and credits.

### *No Perquisites*

We do not provide significant perquisites or personal benefits to any of our named executive officers.

### *Benefits Generally Available to Employees*

The named executive officers are entitled to participate in our 401(k) Plan, which is generally available to all of our employees. We match a portion of the contributions of the named executive officers up to specified limits on the same terms that apply to other employees. The named executive officers are also entitled to participate in various insurance programs generally available to our employees, including medical, dental, vision, disability and life insurance.

### *Accounting and Tax Considerations*

The RSUs and restricted share grants for 2012 are subject to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, Stock Compensation. Under FASB ASC Topic 718, these equity classified awards are measured at grant date fair value determined as described in footnote (1) to the 2012 Summary Compensation Table and not subsequently remeasured. The grant date fair value of an equity-classified award is expensed in our statements of operations over the relevant service period. For tax purposes, however, the equity awards are not deductible prior to the date on which they vest (or in the case of RSUs, prior to the date that shares are issued in respect thereof). Irrespective of when payments are made, the amounts paid under the annual cash incentive opportunity awards were expensed in our statements of operations for the year during which the amounts were earned. The Compensation Committee is aware of the accounting and tax treatment accorded to the equity and cash awards and total cash compensation generally, but the treatment has not been a significant factor in our compensation programs or in the decisions of the Compensation Committee concerning the amount or type of equity award.

**Table of Contents**

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with our management. Based on the Compensation Committee's review and discussion of the Compensation Discussion and Analysis with management, the Compensation Committee recommended to the Board of Trustees that the Compensation Discussion and Analysis be included in this Proxy Statement.

SUBMITTED BY THE

EXECUTIVE COMPENSATION AND

HUMAN RESOURCES COMMITTEE OF THE

BOARD OF TRUSTEES

Stephen B. Cohen, Chair

M. Walter D. Alessio

Leonard I. Korman

John J. Roberts

**Table of Contents****2012 EXECUTIVE COMPENSATION****2012 Summary Compensation Table**

The following table shows information concerning the compensation recorded by PREIT for the three most recent fiscal years for PREIT's Chief Executive Officer, Chief Financial Officer and other named executive officers, other than Mr. Goldman who became a named executive officer in 2012.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Grant Date Fair Value of Stock Awards (\$) <sup>(1)</sup>	Non-Equity Incentive Plan Compensation (\$) <sup>(2)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$) <sup>(3)</sup>	All Other Compensation (\$) <sup>(4)(5)</sup>	Total (\$)
Joseph F. Coradino Chief Executive Officer and Trustee	2012	499,974	0	3,035,077	499,974	13,018	63,670	4,111,713
	2011	421,473	0	813,087	507,478	34,050	48,470	1,824,558
	2010	413,209	0	1,047,854	374,230	25,036	48,470	1,908,799
Ronald Rubin Executive Chairman and Trustee	2012	420,670	420,670	1,189,412	0	38,682	80,107	2,149,541
	2011	562,648	0	1,428,187	824,010	105,824	108,622	3,029,291
	2010	562,648	0	1,877,395	587,967	78,272	105,181	3,211,463
George F. Rubin Vice Chairman and Trustee	2012	434,118	0	882,403	282,177	42,654	58,636	1,699,988
	2011	421,473	0	813,087	507,478	34,050	59,090	1,835,178
	2010	413,209	0	1,047,854	374,230	25,036	59,090	1,919,419
Robert F. McCadden Executive Vice President and Chief Financial Officer	2012	415,358	25,000	777,605	249,215	24,171	35,000	1,526,349
	2011	403,260	0	716,532	446,704	18,984	34,800	1,620,280
	2010	395,353	0	923,422	330,515	13,671	34,800	1,697,761
Bruce Goldman Executive Vice President and General Counsel	2012	315,483	91,252	344,257	123,038	28,369	35,000	937,399
Edward A. Glickman Former President and Chief Operating Officer and Former Trustee	2012	382,748	0	1,028,260	0 <sup>(6)</sup>	40,787	2,930,110	4,381,905
	2011	524,237	0	931,485	616,028	40,708	108,363	2,220,821
	2010	513,958	0	1,200,456	465,475	30,815	64,449	2,275,153

- (1) The amounts shown in the Stock Awards column represent the aggregate grant date fair value of Stock Awards granted during the year, as computed in accordance with Topic 718, excluding the effect of estimated forfeitures. Generally, the aggregate grant date fair value is the amount that PREIT expects to expense in its financial statements over the award's vesting schedule. The amounts shown reflect PREIT's accounting expense and do not correspond to the actual value that will be realized by the named executive officers. Valuations with respect to awards of time based restricted shares are reflected in the tables based on the average of the high and low sale prices of a PREIT common share on the date of grant. Valuations with respect to grants of performance based awards are reflected in the tables as determined using a Monte Carlo simulation probabilistic valuation model. With respect to the performance based RSUs, if the highest level of performance were to be achieved, then the number of shares that would be received in respect of such RSUs would be 150% of the number of RSUs granted (plus any additional RSUs deemed acquired as a result of reinvestment of amounts equal to dividends paid on an equivalent number of shares), and the grant date value of such awards (using the original stated value of the RSUs and not including any value attributable to RSUs deemed to be acquired in connection with the subsequent reinvestment of amounts equal to dividends paid on an equivalent number of shares) would have been as follows: Joseph F. Coradino \$1,316,943; Ronald Rubin \$1,007,274; George F. Rubin \$734,326; Robert F. McCadden \$647,115; Bruce Goldman \$286,482, and Edward A. Glickman \$855,703. See 2012 Grants of



## Edgar Filing: PENNSYLVANIA REAL ESTATE INVESTMENT TRUST - Form DEF 14A

Plan-Based Awards. Whether the named executive officers will receive any shares in respect of the performance based awards (RSUs) depends on whether PREIT achieves certain relative performance (TSR) objectives.

**Table of Contents**

For information regarding significant factors, assumptions and methodologies used in our computations pursuant to Topic 718 with respect to awards of RSUs, which assumptions included no expirations without the issuance of any shares, see Note 8, Share Based Compensation, to PREIT's consolidated financial statements included in PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

- (2) The amounts shown in the Non-Equity Incentive Plan Compensation column are comprised of, for 2012 and 2010, amounts paid in respect of the annual incentive plan, as determined by the Compensation Committee in accordance with the plan and the awards thereunder, and for 2011, (a) amounts paid in respect of the annual incentive plan and (b) cash amounts paid in respect of the performance incentive units originally granted in 2009; See Compensation Discussion and Analysis Components of Executive Compensation 2. Cash Incentive Compensation. The payments are generally made early in the following year. FFO per share was the sole basis for determining amounts paid under the annual cash incentive opportunity plan in 2010, and was the primary basis for such payments in 2012 and 2011. In 2012, 35% of Mr. Goldman's annual cash incentive award and all of Mr. Ronald Rubin's annual cash incentive award were related to individual performance and are therefore reported in the Bonus column, instead of the Non-Equity Incentive Plan Compensation column. The amounts paid in respect of the performance incentive units in 2011 were as determined pursuant to the terms of the 2009-2011 Performance Incentive Unit Program. The amounts comprising the total amount shown in 2011 are as follows:

2011	Annual Incentive Plan (\$)	Performance Incentive Units (\$)
Joseph F. Coradino	356,145	151,333
Ronald Rubin	548,582	275,428
George F. Rubin	356,145	151,333
Robert F. McCadden	314,543	132,161
Edward A. Glickman	442,980	173,048

- (3) The amounts shown in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column represent the above-market portion, which is the amount in excess of 120% of the applicable federal rate, of the interest earned on nonqualified deferred compensation plans of the named executive officers, which is credited as follows: (a) at a rate of 5% compounded annually beginning in 2012 for Mr. Coradino and Mr. Ronald Rubin, and (b) at a rate of 10% compounded annually for Mr. George Rubin, Mr. McCadden, Mr. Goldman and Mr. Glickman, and (c) at a rate of 10% compounded annually for Mr. Coradino and Mr. Ronald Rubin prior to 2012, on the cumulative balance held in such officer's supplemental retirement plan account. The applicable federal rate for long term, annual compounding was 2.40% as of December 2012.

- (4) The amounts shown in 2012 All Other Compensation are comprised of the following:

2012	Non-Qualified Retirement Plan Company Contributions (\$)	Qualified Plan 401(k) Company Contributions (\$)	Medical and Other Core Benefits (\$)	Separation Payment (\$)	Total All Other Compensation (\$)
Joseph F. Coradino	50,000	10,000	3,670	0	63,670
Ronald Rubin	71,500	0	8,607	0	80,107
George F. Rubin	35,000	9,346	14,290	0	58,636
Robert F. McCadden	25,000	10,000	0	0	35,000
Bruce Goldman	25,000	10,000	0	0	35,000
Edward A. Glickman	25,000	10,000	107,751	2,787,359	2,930,110

- (5) The grant date value of the PIUs awarded in 2009 was included in All Other Compensation in 2009. The amounts actually earned in respect of these cash awards is reflected in 2011 in Non-Equity Incentive Plan Compensation.

- (6) Mr. Glickman entered into a separation agreement during 2012 and received the separation payment shown in All Other Compensation and did not receive an amount in respect of the annual incentive plan.

**Table of Contents****Employment Agreements***Joseph F. Coradino*

Joseph F. Coradino's employment agreement with PREIT was amended, effective June 7, 2012, in connection with Mr. Coradino's appointment as the Chief Executive Officer of PREIT. The initial term of Mr. Coradino's agreement is two years from June 7, 2012, extending year-to-year thereafter unless either party gives notice at least 120 days in advance of any expiration date that the term will not be renewed. Mr. Coradino's annual base salary beginning June 7, 2012 was \$550,000 and may be increased thereafter at the discretion of PREIT's Compensation Committee. For 2012, the agreement provides that Mr. Coradino would receive a cash incentive opportunity award equal at target to \$499,974 and awards under the long-term equity program of PREIT equal to \$1,375,000, divided equally between performance-based RSUs and time based restricted shares, in each case valued as provided under the long-term equity program. The agreement also provided for a special award of 100,000 restricted shares, which, subject generally to Mr. Coradino's continued employment, vest in equal annual installments over a three year period that commenced June 7, 2012. For years subsequent to 2012, Mr. Coradino is entitled to participate in cash and equity incentive programs of PREIT as determined by the Compensation Committee. The annual credit to Mr. Coradino's fully vested supplemental retirement account is \$50,000 and the interest accruing on the account is 5.0% per year, compounded annually. The amounts credited to the supplemental retirement plan as of December 31, 2004 (plus earnings thereon) are payable to Mr. Coradino or his beneficiaries within 60 days of the termination of his employment for any reason. The amounts credited to the supplemental retirement plan on and after January 1, 2005 are payable to Mr. Coradino or his beneficiaries within 60 days of the termination (as defined in the employment agreement to effect compliance with or exemption from Section 409A of the Code) of his employment for any reason, subject to a required delay for some payments pursuant to regulations under Section 409A of the Code. The agreement provides for the nomination of Mr. Coradino as a candidate for election to the Board of Trustees so long as his employment under the agreement has not terminated.

*Ronald Rubin*

Ronald Rubin's employment agreement with PREIT was amended, effective June 7, 2012, in connection with the change in Mr. Rubin's role from Chairman and Chief Executive Officer to Executive Chairman of PREIT. The initial term is three years from June 7, 2012, extending year to year thereafter unless either party gives notice at least 120 days in advance of any expiration date that the term will not be renewed. Additionally, at any time within 120 days prior to any anniversary of the effective date of Mr. Rubin's agreement, either the Company or Mr. Rubin may request changes in the compensation payable to Mr. Rubin, and if the parties are unable to agree on such requested changes, Mr. Rubin's employment will terminate on the following anniversary of the effective date and, upon such termination, Mr. Rubin will be entitled to the payments and benefits as if Mr. Rubin's employment had been terminated without cause. Mr. Rubin's annual base salary from June 7, 2012 forward was set at \$300,000. For 2012, the agreement provides that Mr. Rubin would receive a cash incentive award equal at target of \$420,670 and awards under the long-term equity program of PREIT equal to \$1,051,676, divided equally between performance-based RSUs and time-based restricted shares, in each case valued as provided under the long-term equity program. For 2012, Mr. Rubin's cash incentive payment was determined based upon the success of the transition of his former duties as Chief Executive Officer. For years subsequent to 2012, Mr. Rubin is entitled to participate in cash and equity incentive programs of PREIT as determined by the Compensation Committee. The agreement also provides for a founder's retirement payment to Mr. Rubin of \$3,500,000, which is payable to Mr. Rubin in a single sum upon termination of his employment for any reason, except that no payment will be made in the event of termination for cause or in the event that Mr. Rubin terminates his employment voluntarily without good reason prior to June 7, 2013. The annual credit to Mr. Rubin's supplemental retirement account was \$75,000 in 2012 and will be \$50,000 for each year thereafter. The interest accruing on the account is 5.0% per year, compounded annually. The amounts credited to the supplemental retirement plan as of December 31, 2004 (plus earnings thereon) are payable to Mr. Rubin or his beneficiaries within 60 days of the termination of his employment for any reason. The amounts credited to the

**Table of Contents**

supplemental retirement plan on and after January 1, 2005 are payable to Mr. Rubin or his beneficiaries within 60 days of the termination (as defined in the employment agreement to effect compliance with or exemption from Section 409A of the Code) of his employment for any reason, subject to a required delay for some payments pursuant to regulations under Section 409A of the Code. The agreement also provides for the nomination of Mr. Rubin as a candidate for election to the Board of Trustees so long as his employment under the agreement has not terminated.

*George F. Rubin*

George F. Rubin's employment agreement with PREIT was amended and restated effective as of December 30, 2008 for an initial term through December 31, 2009, and extending year-to-year thereafter unless either party gives notice at least 120 days in advance of any expiration date that the term will not be renewed. Under the agreement, Mr. Rubin serves as Vice Chairman of PREIT. Mr. Rubin's salary may be increased each year at the discretion of PREIT's Compensation Committee. In accordance with the agreement, Mr. Rubin is entitled each year to participate in PREIT's cash and equity incentive programs as determined by the Compensation Committee. PREIT is also obligated to credit \$35,000 per year to a supplemental retirement plan account that accrues interest at the rate of 10% per year, compounded annually. The amounts credited to the supplemental retirement plan as of December 31, 2004 (plus earnings thereon) are payable to Mr. Rubin or his beneficiaries within 60 days of the termination of his employment for any reason. The amounts credited to the supplemental retirement plan on and after January 1, 2005 are payable to Mr. Rubin or his beneficiaries within 60 days of the termination (as defined in the employment agreement to effect compliance with or exemption from Section 409A of the Code) of his employment for any reason, subject to a required delay for some payments pursuant to regulations under Section 409A of the Code. The agreement also provides for the nomination of Mr. Rubin as a candidate for election to the Board of Trustees so long as his employment under the agreement has not terminated.

*Robert F. McCadden*

Robert F. McCadden's employment agreement with PREIT was amended and restated effective as of December 30, 2008 for an initial term through December 31, 2009, and extending year-to-year thereafter unless either party gives notice at least 120 days in advance of any expiration date that the term will not be renewed. Under the agreement, Mr. McCadden serves as Executive Vice President and Chief Financial Officer of PREIT. Mr. McCadden's salary may be increased each year at the discretion of PREIT's Compensation Committee. In accordance with the agreement, Mr. McCadden is entitled each year to participate in PREIT's cash and equity incentive programs as determined by the Compensation Committee. PREIT is obligated to credit \$25,000 per year to a supplemental retirement plan account that accrues interest at the rate of 10% per year, compounded annually. The amounts credited to the supplemental retirement plan as of December 31, 2004 (plus earnings thereon) are payable to Mr. McCadden or his beneficiaries within 60 days of the termination of his employment for any reason. The amounts credited to the supplemental retirement plan on and after January 1, 2005 are payable to Mr. McCadden or his beneficiaries within 60 days of the termination (as defined in the employment agreement to effect compliance with or exemption from Section 409A of the Code) of his employment for any reason, subject to a required delay for some payments pursuant to regulations under Section 409A of the Code.

*Bruce Goldman*

Bruce Goldman's employment agreement with PREIT was amended and restated effective as of December 30, 2008 for an initial term through December 31, 2009, and extending year-to-year thereafter unless either party gives notice at least 120 days in advance of any expiration date that the term will not be renewed. Under the agreement, Mr. Goldman serves as Executive Vice President and General Counsel of PREIT. Mr. Goldman's salary may be increased each year at the discretion of PREIT's Compensation Committee. In accordance with the agreement, Mr. Goldman is entitled each year to participate in PREIT's cash and equity incentive programs as determined by the Compensation Committee. PREIT is obligated to credit \$25,000 per

**Table of Contents**

year to a supplemental retirement plan account that accrues interest at the rate of 10% per year, compounded annually. The amounts credited to the supplemental retirement plan as of December 31, 2004 (plus earnings thereon) are payable to Mr. Goldman or his beneficiaries within 60 days of the termination of his employment for any reason. The amounts credited to the supplemental retirement plan on and after January 1, 2005 are payable to Mr. Goldman or his beneficiaries within 60 days of the termination (as defined in the employment agreement to effect compliance with or exemption from Section 409A of the Code) of his employment for any reason, subject to a required delay for some payments pursuant to regulations under Section 409A of the Code.

*Named Executive Officers Generally*

Each of the employment agreements for the above named executive officers other than Ronald Rubin also provides for certain severance and other benefits upon certain terminations of employment, as well as certain non-competition/non-solicitation obligations of the executive. Mr. Ronald Rubin's employment agreement, as described above, does not provide for any cash severance payments, although he would receive the founder's retirement payment as described above. See Potential Payments Upon Termination or Change of Control, beginning on page 50, for a description of all such benefits and obligations.

In connection with Mr. Glickman's separation from PREIT in 2012, we entered into a separation agreement with Mr. Glickman. The terms of Mr. Glickman's separation agreement are discussed further under Potential Payments Upon Termination or Change of Control on page 50.

**Table of Contents****2012 Grants of Plan-Based Awards**

The following table shows information concerning grants of plan-based awards made by PREIT in 2012 to PREIT's Chief Executive Officer, Chief Financial Officer and other named executive officers.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Stock Awards: Number of Shares of Stock or Units (#) <sup>(3)</sup>	Grant Date Fair Value of Stock and Option Awards (\$) <sup>(4)</sup>
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)		
Joseph F. Coradino	2012	249,987	499,974	999,948					
	4/23/2012				22,876	45,751	68,627		877,962
	4/23/2012							145,751	2,157,115
	<b>Total</b>	<b>249,987</b>	<b>499,974</b>	<b>999,948</b>	<b>22,876</b>	<b>45,751</b>	<b>68,627</b>	<b>145,751</b>	<b>3,035,077</b>
Ronald Rubin	4/23/2012				17,497	34,993	52,490		671,516
	4/23/2012							34,993	517,896
	<b>Total</b>				<b>17,497</b>	<b>34,993</b>	<b>52,490</b>	<b>34,993</b>	<b>1,189,412</b>
George F. Rubin	2012	141,088	282,177	564,353					
	4/9/2012				13,637	27,273	40,910		489,550
	4/9/2012							27,272	392,853
	<b>Total</b>	<b>141,088</b>	<b>282,177</b>	<b>564,353</b>	<b>13,637</b>	<b>27,273</b>	<b>40,910</b>	<b>21,272</b>	<b>882,403</b>
Robert F. McCadden	2012	124,607	249,215	498,430					
	4/9/2012				12,017	24,034	36,051		431,410
	4/9/2012							24,033	346,195
	<b>Total</b>	<b>124,607</b>	<b>249,215</b>	<b>498,430</b>	<b>12,017</b>	<b>24,034</b>	<b>36,051</b>	<b>24,033</b>	<b>777,605</b>
Bruce Goldman	2012	61,519	123,038	246,077					
	4/9/2012				5,320	10,640	15,960		190,988
	4/9/2012							10,640	153,269
	<b>Total</b>	<b>61,519</b>	<b>123,038</b>	<b>246,077</b>	<b>5,320</b>	<b>10,640</b>	<b>15,960</b>	<b>10,640</b>	<b>344,257</b>
Edward A. Glickman	2012	178,502	357,004	714,008					
	4/9/2012				15,891	31,781	47,672		570,469
	4/9/2012							31,780	457,791
	<b>Total</b>	<b>178,502</b>	<b>357,004</b>	<b>714,008</b>	<b>15,891</b>	<b>31,781</b>	<b>47,672</b>	<b>31,780</b>	<b>1,028,260</b>

(1) The amounts shown under Estimated Future Payouts Under Non-Equity Incentive Plan Awards represent the potential threshold, target and outperformance awards under the 2012 cash incentive compensation plan based on specified corporate performance metrics.

(2) The numbers shown under Estimated Future Payouts Under Equity Incentive Plan Awards represent the number of shares issuable in connection with the RSUs, not including RSUs resulting from the deemed investment of amounts equal to dividends paid on an equivalent

## Edgar Filing: PENNSYLVANIA REAL ESTATE INVESTMENT TRUST - Form DEF 14A

number of common shares. See Performance Based Programs Restricted Share Unit Program. The recipient is not entitled to any voting rights in connection with the RSUs. See Compensation Discussion and Analysis for a discussion of the objectives of the RSUs. Whether the named executive officers will receive any shares in respect of the RSUs depends on whether PREIT achieves certain relative performance (TSR) objectives. If the measurement period had ended on December 31, 2012, PREIT would have met the objective for the 2011 RSU grants at a level resulting in an award of shares equal to 134% of the original number of RSUs, and PREIT would have met the objective for the 2012 RSU grants at a level resulting in an award of shares equal to 150% of the original number of RSUs.

- (3) The numbers shown under All Other Stock Awards represent the number of time based restricted shares granted under PREIT's Second Amended and Restated 2003 Equity Incentive Plan. These shares will vest in



**Table of Contents**

three equal annual installments beginning on or about February 15<sup>th</sup> of the year after the date of grant, subject to continued employment. With respect to 100,000 restricted shares granted to Mr. Coradino upon his appointment as the Company's Chief Executive Officer, these shares will vest in three equal annual installments on each of the three anniversaries following June 7, 2012. During the period that the restricted shares have not vested, the recipient is entitled to vote the shares and to receive an amount equal to the dividends that would have been paid on the shares if they were vested. PREIT made cash distributions to all holders of common shares of \$0.63 per share in 2012. In February 2013, PREIT's Board of Trustees declared a quarterly cash dividend of \$0.18 per share payable in March 2013.

- (4) The amounts shown in the Grant Date Fair Value of Stock and Option Awards column represent the fair value of the awards on the date of grant, as computed in accordance with Topic 718, excluding the effect of estimated forfeitures. Valuations with respect to grants of performance based awards are reflected in the tables as determined using a Monte Carlo simulation probabilistic valuation model. Whether the named executive officers will receive any shares in respect of the performance based awards (RSUs) depends on whether PREIT achieves certain relative performance (TSR) objectives. For information regarding significant factors, assumptions and methodologies used in our computations pursuant to Topic 718 with respect to grants of RSUs, see Note 8, Share Based Compensation, to PREIT's consolidated financial statements included in PREIT's Annual Report on Form 10-K for the fiscal year ended December 31, 2012. Valuations with respect to awards of time based restricted shares are reflected in the tables based on the average of the high and low sale prices of a PREIT common share on the date of grant.

**Table of Contents**

**Performance Based Programs**

*Restricted Share Unit Programs*

In 2010, 2011 and 2012, the Compensation Committee made awards in the form of market based performance contingent restricted share units, or RSUs, under the 2010-2012 Restricted Share Unit Program (for grants made in 2010), the 2011-2013 Restricted Share Unit Program (for grants made in 2011) and the 2012-2014 RSU Program (for grants made in 2012). The RSUs represent the right to earn common shares in the future depending on PREIT's total shareholder return or TSR, for the three year period (the Measurement Period) ended December 31, 2012 (for grants made in 2010), ending December 31, 2013 (for grants made in 2011) and ending December 31, 2014 (for grants made in 2012) relative to the TSR for the applicable Measurement Period of the component companies in the MSCI US REIT Index (the Index) for those periods. Dividends paid by PREIT during the Measurement Period are deemed to be invested in additional RSUs for the account of the named executive officer at the 20 day average closing price of a share of PREIT ending on the dividend payment date. If TSR is equal to or above the 25<sup>th</sup> percentile of companies in the Index during the Measurement Period, the RSUs (including RSUs resulting from reinvestment of amounts equal to dividends) will vest and there will be issued a number of shares ranging from 50% up to a maximum of 150% (at or above the 75<sup>th</sup> percentile of companies in the Index) of the number of RSUs. The Measurement Periods for the 2011-2013 RSU Program and the 2012-2014 RSU Program are still in progress; accordingly, it cannot yet be determined what portion, if any, of the RSUs granted under those programs will be earned.

Except if there is a change of control, participants may elect to defer delivery of all or a portion of the shares to be awarded to such participant until separation from service or a specified date chosen by the participant. If a participant elects to defer delivery until separation from service, PREIT must deliver the shares to participants who are specified employees, as defined in Section 409A of the Code, upon the earlier of six months after separation from service or death. Participants who elect to defer delivery of their shares will have dividend equivalents credited on their deferred shares which will be reinvested in notional shares (on which dividend equivalents will also be credited and so reinvested). A participant who has elected to defer delivery of his or her shares may elect to receive the shares prior to the scheduled delivery date in the event of an unforeseeable emergency.

If, prior to the last day of the Measurement Period, the named executive officer's employment is terminated by PREIT for a reason other than cause or by the named executive officer for good reason (or, in the case of Mr. Ronald Rubin, voluntary termination after June 7, 2013) or because of the death or disability of the named executive officer, the named executive officer will remain eligible to receive shares under the program as if his employment had not terminated. If the named executive officer's employment is terminated for any other reason, the named executive officer will forfeit all of the RSUs.

**Table of Contents****Outstanding Equity Awards at 2012 Fiscal Year End**

The following table shows information concerning outstanding equity awards at December 31, 2012, including both awards subject to market-based performance conditions and time based awards, made by PREIT to its Chief Executive Officer, Chief Financial Officer and other named executive officers.

Name	Number of Shares or Units of Stock That Have Not Vested (#) <sup>(1)</sup>	Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>	Stock Awards	
			Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) <sup>(3)</sup>	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) <sup>(2)</sup>
Joseph F. Coradino	177,284	\$ 3,127,290	116,930	\$ 2,062,645
Ronald Rubin	90,845	\$ 1,602,506	134,373	\$ 2,370,340
George F. Rubin	58,805	\$ 1,037,320	88,007	\$ 1,552,443
Robert F. McCadden	51,821	\$ 914,122	77,555	\$ 1,368,070
Bruce Goldman	22,942	\$ 404,697	34,335	\$ 605,669
Edward A. Glickman			101,661	\$ 1,793,300

- (1) The numbers shown under Number of Shares or Units of Stock That Have Not Vested represent the number of time based restricted shares granted under PREIT's Second Amended and Restated 2003 Equity Incentive Plan. These shares will vest in three equal annual installments beginning on or about February 15th of the year after the date of grant (except for the grant to Mr. Coradino upon his promotion to Chief Executive Officer, which vests in three equal annual installments on each of the three anniversaries following June 7, 2012), subject to continued employment. The vesting dates of the shares shown in this column are as follows:

Vesting Date	Joseph F. Coradino	Ronald Rubin	George F. Rubin	Robert F. McCadden	Bruce Goldman	Edward A. Glickman
2/15/2013	37,614	51,410	31,454	27,718	12,272	0
6/7/2013	33,334	0	0	0	0	0
2/15/2014	24,420	27,771	18,261	16,092	7,124	0
6/7/2014	33,333	0	0	0	0	0
2/15/2015	15,250	11,664	9,090	8,011	3,546	0
6/7/2015	33,333	0	0	0	0	0
<b>Total</b>	<b>177,284</b>	<b>90,845</b>	<b>58,805</b>	<b>51,821</b>	<b>22,942</b>	<b>0</b>

- (2) The market value of shares is based upon the closing market price per share of PREIT's common shares as of December 31, 2012 of \$17.64.
- (3) The amounts shown under Number of Unearned Shares, Units or Other Rights That Have Not Vested represent the aggregate of the number of RSUs, including RSUs acquired as a result of the application of dividends deemed credited to the account of the named executive officer. The amount shown represents the percentage of RSUs that will be earned and delivered as shares assuming PREIT's TSR is at the outperformance level under both the 2011 plan and the 2012 plan, including RSUs resulting from the deemed investment of amounts equal to dividends paid on an equivalent number of common shares. The expiration dates of the RSUs shown in this column are as follows:

Edgar Filing: PENNSYLVANIA REAL ESTATE INVESTMENT TRUST - Form DEF 14A

Expiration Date	Joseph F. Coradino	Ronald Rubin	George F. Rubin	Robert F. McCadden	Bruce Goldman	Edward A. Glickman
12/31/2013	45,318	79,601	45,318	39,936	17,681	51,917
12/31/2014	71,612	54,772	42,689	37,619	16,654	49,744
<b>Total</b>	<b>116,930</b>	<b>134,373</b>	<b>88,007</b>	<b>77,555</b>	<b>34,335</b>	<b>101,661</b>

**Table of Contents****2012 Option Exercises and Stock Vested**

The following table shows information concerning the 2012 issuance of shares in respect of performance-based RSUs and the 2012 vesting of restricted shares awarded to PREIT's Chief Executive Officer, Chief Financial Officer and other named executive officers. There were no share options exercised by PREIT's Chief Executive Officer, Chief Financial Officer or other named executive officers in 2012.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#) <sup>(1)</sup>	Value Realized on Vesting (\$) <sup>(1)</sup>
Joseph F. Coradino	121,951	\$ 1,911,283
Ronald Rubin	218,763	\$ 3,427,951
George F. Rubin	121,951	\$ 1,911,283
Robert F. McCadden	107,265	\$ 1,681,590
Bruce Goldman	46,562	\$ 732,113
Edward A. Glickman	207,562	\$ 3,254,341

- (1) The amounts shown in the Number of Shares Acquired on Vesting column represent shares issued in respect of performance-based RSUs awarded under the 2010-2012 RSU Program and the vesting of time-based restricted shares as follows:

	RSUs		Restricted Shares	
	(#)	(\$)	(#)	(\$)
Joseph F. Coradino	68,497	1,197,672	53,454	713,611
Ronald Rubin	122,723	2,145,817	96,040	1,282,134
George F. Rubin	68,497	1,197,672	53,454	713,611
Robert F. McCadden	60,363	1,055,448	46,902	626,142
Bruce Goldman	26,722	467,249	19,840	264,864
Edward A. Glickman	78,472	1,372,092	129,090	1,882,249

**Pension Benefits**

None of our named executive officers participate in or have accrued benefits under qualified or non-qualified defined benefit plans sponsored by us.

**2012 Nonqualified Deferred Compensation**

The following table shows information concerning contributions, earnings, distributions and balances under non-qualified defined contribution and other deferred compensation plans maintained for PREIT's Chief Executive Officer, Chief Financial Officer and other named executive officers.

Name	Registrant Contributions In Last FY (\$) <sup>(1)</sup>	Aggregate Earnings in Last FY (\$) <sup>(2)</sup>	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE (\$) <sup>(3)</sup>
Joseph F. Coradino	\$ 50,000	\$ 30,704	0	\$ 644,778
Ronald Rubin	\$ 71,500	\$ 91,231	0	\$ 1,915,848
George F. Rubin	\$ 35,000	\$ 59,907	0	\$ 658,981
Robert F. McCadden	\$ 25,000	\$ 33,949	0	\$ 373,436
Bruce Goldman	\$ 25,000	\$ 39,844	0	\$ 438,279
Edward A. Glickman	\$ 25,000	\$ 57,285	(\$ 442,172)	\$ 314,487

- (1) The amounts reported in this column are reported in the Summary Compensation Table under All Other Compensation.

---

**Table of Contents**

- (2) The above-market portions of the amounts reported in this column are included in the Summary Compensation Table under Change in Pension Value and Nonqualified Deferred Compensation Earnings, to the extent they exceed 120% of the prevailing long term applicable federal rate.
- (3) Of the amounts reported, the following were previously reported as compensation to the named executive officer in the Summary Compensation Table prior to 2012: Joseph F. Coradino (\$439,150); Ronald Rubin (\$1,344,048); George F. Rubin (\$439,150); Robert F. McCadden (\$257,844); Bruce Goldman (\$296,257); and Edward A. Glickman (\$464,734).
- See Employment Agreements for a description of the material terms of the supplemental retirement plans of the named executive officers.

**Potential Payments Upon Termination or Change of Control**

Following is a summary of the arrangements that provide for payment to a named executive officer at, following or in connection with any termination, including resignation, severance, retirement or constructive termination, or in connection with a change of control or a change in the named executive officer's responsibilities.

*Termination by Us Without Cause, Termination by the Executive for Good Reason or Our Election Not to Renew the Employment Agreement Not Associated with a Change in Control.* If we terminate Joseph F. Coradino's, Ronald Rubin's, George F. Rubin's, Robert F. McCadden's or Bruce Goldman's (each, an Executive) employment for a reason other than for Cause, which is generally defined to include fraud in connection with his employment, theft of PREIT funds, acts which are grounds for termination under our Code of Business Conduct and Ethics, indictment for a crime of moral turpitude, breach of confidentiality or non-competition obligations, continued failure to perform duties 30 days after a written demand specifying the nature of the failure, or repeated abuse of alcohol or drugs, or if an Executive terminates his employment with us for Good Reason, which includes PREIT's material breach of its obligations to the Executive under the employment agreement, a material change in the geographic location at which the Executive provides services, or a material diminution in the Executive's authority, duties or responsibilities (in each case, after 30 days written notice and failure to cure); in the case of Joseph F. Coradino, Ronald Rubin and George F. Rubin, the Executive is not nominated for election as a trustee; and, in the case of Mr. Ronald Rubin only, if the parties are unable to agree on requested changes in the compensation payable to Mr. Ronald Rubin; or if we elect not to renew the Executive's employment agreement, in any such case not in association with a change in control, then:

PREIT will pay to him (less applicable withholding taxes):

all earned but unpaid amounts under the employment agreement; and

for Mr. Coradino, a cash lump sum severance payment equal to (A) \$2,344,524 if such termination occurs before June 7, 2014, or (B) 1.1 times (x) his then-current base salary plus (y) an amount calculated by multiplying such then-current base salary by the average percentage of base salary paid as a bonus in the last three calendar years, if such termination occurs on or after June 7, 2014 (in the case of clause (B)(x), such amount being discounted to present value);

for Mr. Ronald Rubin, a cash lump sum founder's retirement payment equal to \$3,500,000;

for Mr. George F. Rubin, a cash lump sum severance payment equal to three times (x) his then-current base salary (such amount being discounted to present value) plus (y) an amount calculated by multiplying such then-current base salary by the average percentage of base salary paid as a bonus in the last three calendar years;

**Table of Contents**

for Mr. McCadden and Mr. Goldman, a cash lump sum severance payment equal to two times (x) such Executive's then-current base salary (such amount being discounted to present value) plus (y) an amount calculated by multiplying such then-current base salary by the average percentage of base salary paid as a bonus to such Executive in the last three calendar years; and

in each case, he, his spouse and dependents will continue to receive medical benefits for two years (three years in the case of Mr. Ronald Rubin and one year in the case of Mr. McCadden and Mr. Goldman) to the extent PREIT was paying for such benefits prior to such termination;

any restricted shares will vest; and

Mr. Ronald Rubin would receive any performance-based cash incentive award earned as if his employment had not terminated, pro rata for the number of days he was employed during the year.

*Termination by Us for Cause.* If we terminate the Executive's employment for Cause, then:

PREIT will pay to him (less applicable withholding taxes) all earned but unpaid amounts under the employment agreement;

he, his spouse and dependents will have rights under PREIT's health plans as provided by COBRA; and

he will not engage in, have an interest in or in any way be affiliated with any entity that engages within 25 miles of any property owned by PREIT in any activity that competes with the activity of PREIT for one year following such termination.

*Death or Disability.* Under our employment agreement with each Executive, if the Executive dies during the term of his employment agreement, or if he is unable to perform his duties for 120 days during any 150 day period and PREIT elects to terminate his employment ( disability ), then:

PREIT will pay to him or his estate (less applicable withholding taxes):

in the case of the disability of the Executive, except Mr. Ronald Rubin, a cash lump sum payment equal to one times (two times in the case of Mr. Coradino) (x) his then-current base salary minus (y) amounts reasonably projected to be paid to the Executive under disability insurance policies for the 12-month period immediately following the Executive's termination of employment (a 24-month period in the case of Mr. Coradino); in the case of Mr. Ronald Rubin's disability, he would receive a cash lump sum founder's retirement payment equal to \$3,500,000;

in the case of the death of the Executive, except Mr. Ronald Rubin, his base salary for a period of 12 months (24 months in the case of Mr. Coradino), paid in accordance with PREIT's normal payroll practices; in the case of the death of Mr. Ronald Rubin, his estate would receive a cash lump sum founder's retirement payment equal to \$3,500,000;

all earned but unpaid amounts under the employment agreement; and

if PREIT achieves its specified performance target(s), the pro rata portion of any amount payable under the annual cash incentive plan with respect to the year of termination that he would have earned had he remained employed with us;



all unvested restricted shares that vest solely based on the passage of time and the Executive's continued employment will vest; and

---

**Table of Contents**

he, his spouse and dependents will continue to receive medical benefits for the 12-month period (a 24-month period in the case of Mr. Coradino and a 36-month period in the case of Mr. Ronald Rubin) immediately following his termination of employment to the extent PREIT was paying for such benefits prior to such death or disability.

*Voluntary Termination.* If an Executive voluntarily terminates his employment, PREIT will pay to him (less applicable withholding taxes) all earned but unpaid amounts under his employment agreement, and he will have rights under PREIT's health plans as provided by COBRA. If an Executive voluntarily terminates his employment with PREIT (other than (i) for Good Reason, (ii) within 10 calendar days following the date that PREIT provides the Executive with notice of his base salary and bonus eligibility for such fiscal year or (iii) (except for Mr. Coradino) within 10 calendar days following April 10<sup>th</sup> of the applicable fiscal year, if such compensation notice has not been received as of that date), the Executive will not engage in, have an interest in or in any way be affiliated with any entity that engages, within 25 miles of any property owned by PREIT, in any activity which competes with the activities of PREIT or its affiliates for one year following such termination.

In the case of Mr. Ronald Rubin, in the event of voluntary termination without good reason, he, his spouse and dependents would continue to receive medical benefits for the 36-month period after such termination. In the event of Mr. Rubin's death during such period, such coverage would continue for his spouse and dependents. In addition, in the event of a voluntary termination on or after June 7, 2013, Mr. Rubin would receive a cash lump sum founder's retirement payment equal to \$3,500,000, he would receive any performance-based cash incentive award earned as if his employment had not terminated, pro rata for the number of days he was employed during the year, all time-based restricted shares would vest, and all performance-based restricted share unit awards would remain outstanding and would vest or expire, in whole or in part, based on the applicable performance measures under the award as if his employment had not terminated.

*Restricted Share Unit Programs.* Under the Company's performance based equity programs, if an Executive's employment is terminated by PREIT for a reason other than for Cause or by the Executive for Good Reason or because of the death or disability of the Executive, the Executive will remain eligible to receive shares under the applicable Restricted Share Unit Programs as if his employment had not terminated. If the Executive's employment is terminated for any other reason, he forfeits his RSUs, except as otherwise discussed above for Mr. Ronald Rubin.

*Change of Control.* If there is a change of control of PREIT, then:

the measurement period for any outstanding RSUs would end on the date of the change of control, and shares underlying such awards will become payable, if at all, based on our TSR performance through that date;

any restricted shares will vest; and

if Mr. George Rubin or Mr. McCadden is required to pay any excise taxes imposed under Section 4999 of the Code, PREIT will reimburse Mr. George Rubin for the full amount of such excise taxes and will reimburse Mr. McCadden for one-half of such taxes, provided that such reimbursement will not be grossed up to cover any excise, income or employment taxes assessed on that additional payment; if the Executive would receive a higher net after-tax benefit by the reduction of his payments and benefits to the minimum extent necessary to ensure that no such excise taxes apply, his payments and benefits shall be so reduced.

If an Executive's employment is terminated within six months before or 12 months after a change of control of PREIT, by us without Cause (including our election not to renew the agreement), or by him for Good Reason, then:

PREIT will pay to him (less applicable withholding taxes):

all earned but unpaid amounts under the employment agreement;

**Table of Contents**

in the case of each Executive other than Mr. Ronald Rubin, a lump sum cash payment equal to three times (two times in the case of Mr. McCadden and Mr. Goldman) (x) his then-current base salary (discounted to present value if such termination occurs within six months before the change of control) plus (y) an amount calculated by multiplying the then-current base salary by the average percentage of base salary paid as a bonus in the last three calendar years; Mr. Ronald Rubin would receive a cash lump sum founder's retirement payment equal to \$3,500,000; and

the Executive, his spouse and dependents will continue to receive medical benefits for two years (three years in the case of Mr. Ronald Rubin and one year in the case of Mr. McCadden and Mr. Goldman) to the extent PREIT was paying for such benefits prior to termination.

*All Terminations of Employment*

As described above under Employment Agreements, the amounts credited to the supplemental retirement plan as of December 31, 2004 (plus earnings thereon) are payable within 60 days of the termination of employment for any reason. The amounts credited to the supplemental retirement plan on and after January 1, 2005 are payable within 60 days of the termination (as defined in the employment agreement to effect compliance with or exemption from Section 409A of the Code) of employment for any reason, subject to a required delay for some payments pursuant to regulations under Section 409A of the Code. As these amounts are provided in the event of any termination of employment and are disclosed above, such amounts are not included in the amounts set forth in the tables below. See 2012 Nonqualified Deferred Compensation.

Assuming Joseph F. Coradino's employment was terminated under each of these circumstances on December 31, 2012 and/or there was a change of control of PREIT, and without taking into account any value assigned to Mr. Coradino's covenant not compete, such payments and benefits would have had an estimated value of:

Joseph F. Coradino	Lump Sum <sup>(1)</sup> / Base Salary (\$)	Bonus (\$)	Value of Accelerated Equity and Performance Awards (\$)		Other <sup>(2)</sup> (\$)	Total (\$)
			Performance Based	Time Based		
Without Cause, Our Election Not to Renew Employment Agreement, or For Good Reason Not Associated With a Change of Control	2,344,524	0	1,977,366 <sup>(3)</sup>	3,127,290	43,710	7,492,890
Without Cause, Our Election Not to Renew Employment Agreement, or For Good Reason Associated With a Change of Control	1,650,000 <sup>(4)</sup>	1,320,368	1,977,366	3,127,290	43,710	8,118,734
Death	1,100,000	499,974	1,977,366 <sup>(3)</sup>	3,127,290	43,710	6,748,340
Disability	723,584	499,974	1,977,366 <sup>(3)</sup>	3,127,290	43,710	6,371,924
Change of Control (without regard to a termination of employment)	0	0	1,977,366	3,127,290	0	5,104,656

- (1) The amounts set forth in this column are paid in a lump sum upon the occurrence of a listed event, provided that the payment of the amount payable upon the termination of Mr. Coradino's employment in the case of his death will instead be made as a base salary continuation over the 24 month period following his death.
- (2) The amounts shown in this column represent amounts in respect of benefit continuation.
- (3) Represents the value of shares under any RSU program in effect that would have been received by the Executive (or his estate) if the applicable Measurement Period had ended on December 31, 2012 based on our TSR performance through, and the closing price as of, that date, and assuming that the relative performance and the price remained the same at the end of the actual Measurement Period.



**Table of Contents**

(4) Assumes termination occurs within 12 months after a change of control. If termination occurs within six months prior to a change of control, the Executive would receive an amount in respect of base salary of \$1,595,836.

Assuming that Ronald Rubin's employment was terminated under each of these circumstances on December 31, 2012 and/or there was a change of control of PREIT, and without taking into account any value assigned to Mr. Ronald Rubin's covenant not to compete, such payments and benefits would have had an estimated value of:

Ronald Rubin	Lump Sum (\$)	Bonus (\$)	Value of Accelerated Equity and Performance Awards (\$)			Benefit Continuation (\$)	Total (\$)
			Performance Based	Time Based			
Without Cause, Either Party's Election Not to Renew Employment Agreement, or For Good Reason Not Associated With a Change of Control	3,500,000	0	2,220,563 <sup>(1)</sup>	1,602,506		47,808	7,370,877
Without Cause, Either Party's Election Not to Renew Employment Agreement, or For Good Reason Associated With a Change of Control	3,500,000	0	2,220,563	1,602,506		47,808	7,370,877
Death	3,500,000	0	2,220,563 <sup>(1)</sup>	1,602,506		47,808	7,370,877
Disability	3,500,000	0	2,220,563 <sup>(1)</sup>	1,602,506		47,808	7,370,877
Change of Control (without regard to a termination of employment)	0	0	2,220,563	1,602,506		0	3,823,069

(1) Represents the value of shares under any RSU program in effect that would have been received by the Executive (or his estate) if the applicable Measurement Period had ended on December 31, 2012 based on our TSR performance through, and the closing price as of, that date, and assuming that the relative performance and the price remained the same at the end of the actual Measurement Period.

Assuming George F. Rubin's employment was terminated under each of these circumstances on December 31, 2012 and/or there was a change of control of PREIT, and without taking into account any value assigned to Mr. George Rubin's covenant not to compete, such payments and benefits would have had an estimated value of:

George F. Rubin	Base Salary (\$)	Bonus (\$)	Value of Accelerated Equity and Performance Awards (\$)			Other <sup>(1)</sup> (\$)	Total (\$)
			Performance Based	Time Based			
Without Cause, Our Election Not to Renew Employment Agreement, or For Good Reason Not Associated With a Change of Control	1,259,602	1,042,174	1,467,164 <sup>(2)</sup>	1,037,320		43,710	4,849,970
Without Cause, Our Election Not to Renew Employment Agreement, or For Good Reason Associated With a Change of Control	1,302,354 <sup>(3)</sup>	1,042,174	1,467,164	1,037,320		612,989	5,462,001
Death	434,118	282,177	1,467,164 <sup>(2)</sup>	1,037,320		21,855	3,242,634
Disability	251,225	282,177	1,467,164 <sup>(2)</sup>	1,037,320		21,855	3,059,741
Change of Control (without regard to a termination of employment)	0	0	1,467,164	1,037,320		0	2,504,484

**Table of Contents**

- (1) The amounts shown in this column represent amounts in respect of benefit continuation and in addition, the amount listed in the row Without Cause, Our Election Not to Renew Employment Agreement, or For Good Reason Associated With a Change of Control includes reimbursement, in an amount equal to \$569,279, for excise taxes imposed under Section 4999 of the Code.
- (2) Represents the value of shares under any RSU program in effect that would have been received by the Executive (or his estate) if the applicable Measurement Period had ended on December 31, 2012 based on our TSR performance through, and the closing price as of, that date, and assuming that the relative performance and the price remained the same at the end of the actual Measurement Period.
- (3) Assumes termination occurs within 12 months after a change of control. If termination occurs within six months prior to a change of control, the Executive would receive the base salary amount listed in the row Without Cause, Our Election Not to Renew Employment Agreement, or For Good Reason Not Associated With a Change of Control.

Assuming Robert F. McCadden's employment was terminated under each of these circumstances on December 31, 2012 and/or there was a change of control of PREIT, and without taking into account any value assigned to Mr. McCadden's covenant not to compete, such payments and benefits would have had an estimated value of:

Robert F. McCadden	Base Salary (\$)	Bonus (\$)	Value of Accelerated Equity and Performance Awards (\$)			Total (\$)
			Performance Based	Time Based	Other (\$)	
Without Cause, Our Election Not to Renew Employment Agreement, or For Good Reason Not Associated With a Change of Control	812,287	613,430	1,292,918 <sup>(1)</sup>	914,122	20,924	3,653,681
Without Cause, Our Election Not to Renew Employment Agreement, or For Good Reason Associated With a Change of Control	830,716 <sup>(2)</sup>	613,430	1,292,918	914,122	20,924	3,672,110
Death	415,358	249,215	1,292,918 <sup>(1)</sup>	914,122	20,924	2,892,537
Disability	232,679	249,215	1,292,918 <sup>(1)</sup>	914,122	20,924	2,709,858
Change of Control (without regard to a termination of employment)	0	0	1,292,918	914,122	0	2,207,040

- (1) Represents the value of shares under any RSU program in effect that would have been received by the Executive (or his estate) if the applicable Measurement Period had ended on December 31, 2012 based on our TSR performance through, and the closing price as of, that date, and assuming that the relative performance and the price remained the same at the end of the actual Measurement Period.
- (2) Assumes termination occurs within 12 months after a change of control. If termination occurs within six months prior to a change of control, the Executive would receive the base salary amount listed in the row Without Cause or For Good Reason Not Associated With a Change of Control.

**Table of Contents**

Assuming Bruce Goldman's employment was terminated under each of these circumstances on December 31, 2012 and/or there was a change of control of PREIT, and without taking into account any value assigned to Mr. Goldman's covenant not to compete, such payments and benefits would have had an estimated value of:

Bruce Goldman	Base Salary (\$)	Bonus (\$)	Value of Accelerated Equity and Performance Awards (\$)		Other (\$)	Total (\$)
			Performance Based	Time Based		
Without Cause, Our Election Not to Renew Employment Agreement, or For Good Reason Not Associated With a Change of Control	616,968	444,666	572,402 <sup>(1)</sup>	404,697	18,677	2,057,410
Without Cause, Our Election Not to Renew Employment Agreement, or For Good Reason Associated With a Change of Control	630,966 <sup>(2)</sup>	444,666	572,402	404,697	18,677	2,071,408
Death	315,483	189,290	572,402 <sup>(1)</sup>	404,697	18,677	1,500,549
Disability	133,940	189,290	572,402 <sup>(1)</sup>	404,697	18,677	1,319,006
Change of Control (without regard to a termination of employment)	0	0	572,402	404,697	0	977,099

- (1) Represents the value of shares under any RSU program in effect that would have been received by the Executive (or his estate) if the applicable Measurement Period had ended on December 31, 2012 based on our TSR performance through, and the closing price as of, that date, and assuming that the relative performance and the price remained the same at the end of the actual Measurement Period.
- (2) Assumes termination occurs within 12 months after a change of control. If termination occurs within six months prior to a change of control, the Executive would receive the base salary amount listed in the row Without Cause or For Good Reason Not Associated With a Change of Control.

*Edward A. Glickman*

Mr. Glickman left his position as the Company's President and Chief Operating Officer effective August 31, 2012. Under the Company's employment agreement with Mr. Glickman, in connection with his departure, he was entitled (i) to receive a cash payment of approximately \$2.7 million, (ii) to receive additional amounts accrued under his supplemental retirement plan, (iii) to have his outstanding unvested restricted shares become vested, and (iv) to remain eligible to receive shares under the Company's Restricted Share Unit programs based on the Company's achievement of the performance metrics established by those programs as if his employment had not terminated.

In October 2012, Mr. Glickman resigned from his position as a trustee of the Company. To formally recognize and memorialize the terms of his departure from the Company as both a trustee and as an officer, the Company and Mr. Glickman entered into a separation agreement which included a standard mutual general release of all claims. Under the separation agreement, Mr. Glickman was entitled to a total cash separation payment of \$2.8 million (including the above-described \$2.7 million to which he would have been entitled under his employment agreement).

**Table of Contents****Equity Compensation Plans**

The following table summarizes PREIT's equity compensation plans as of December 31, 2012:

<b>Plan category</b>	<b>Number of shares to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights</b>	<b>Number of shares remaining available for future issuance under equity compensation plans<sup>(1)</sup></b>
Equity compensation plans approved by shareholders	30,000 <sup>(2)</sup>	\$ 30.68	2,049,984 <sup>(3)</sup>
Equity compensation plans not approved by shareholders			
<b>Total</b>	<b>30,000<sup>(2)</sup></b>	<b>\$ 30.68</b>	<b>2,049,984</b>

- (1) Does not include shares reflected in the column entitled "Number of shares to be issued upon exercise of outstanding options, warrants and rights."
- (2) Does not include 707,067 restricted shares awarded under PREIT's Second Amended and Restated 2003 Equity Incentive Plan, and does not include 17,669 shares awarded under PREIT's 2008 Restricted Share Plan for Non-Employee Trustees that, in each case, were outstanding and unvested at December 31, 2012.
- (3) Includes 1,901,078 shares available for awards under PREIT's Second Amended and Restated 2003 Equity Incentive Plan as of December 31, 2012, including shares that might become issuable pursuant to the Company's RSU Programs, and 148,906 shares available for issuance under PREIT's Employee Share Purchase Plan.



**Table of Contents**

**AUDIT**

**PROPOSAL THREE**

**RATIFICATION OF SELECTION OF INDEPENDENT AUDITOR**

The Audit Committee of the Board of Trustees has selected KPMG LLP as PREIT's independent auditor to perform the audit of our financial statements for 2013. KPMG is a registered independent public accounting firm and served as our independent auditor for the year ended December 31, 2012. A representative of KPMG is expected to be present at the Annual Meeting and available to respond to appropriate questions, and will be given an opportunity to make a statement, if the representative so desires.

Although shareholder ratification of our selection of KPMG as our independent auditor is not required by our by-laws or otherwise, the Board of Trustees is submitting the selection of KPMG to our shareholders for ratification as a matter of good corporate practice. Despite ratification, the Audit Committee, in its discretion, may select a different registered public accounting firm at any time during the year if it determines that such a change would be in the best interest of PREIT. If KPMG is not ratified, the Audit Committee, in its discretion, may select as our independent auditor any registered public accounting firm that it determines would be in the best interest of PREIT.

*Board Recommendation*

The Audit Committee of our Board of Trustees recommends that shareholders vote FOR the ratification of PREIT's selection of KPMG as PREIT's independent auditor to perform the audit of our financial statements for 2013.

**Audit Committee Report**

PREIT's Audit Committee is governed by an amended and restated charter that was originally approved and adopted by PREIT on April 14, 2004. PREIT's Board of Trustees has determined that all of the members of the Audit Committee are independent under New York Stock Exchange listing rules and PREIT's own independence guidelines. Each member of the Audit Committee also meets the SEC's additional independence requirements for audit committee members. In addition, PREIT's Board of Trustees has determined that John J. Roberts is an audit committee financial expert, as defined by SEC rules.

PREIT's management has primary responsibility for PREIT's financial statements. KPMG LLP, PREIT's independent auditor for 2012, is responsible for expressing an opinion on the conformity of PREIT's audited financial statements with generally accepted accounting principles. Before PREIT's Annual Report on Form 10-K for the year ended December 31, 2012 was filed with the SEC, the Audit Committee reviewed and discussed with management and KPMG the audited financial statements of PREIT for the year ended December 31, 2012, which included the consolidated balance sheets of PREIT as of December 31, 2012 and 2011, the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2012, and the notes thereto. In connection with this review, the Audit Committee, among other things:

made inquiries of PREIT's internal auditor and KPMG with respect to the reliability and integrity of PREIT's accounting policies and financial reporting practices; and

reviewed with KPMG its views on the quality of PREIT's implementation of accounting principles, disclosure practices and use of accounting estimates in preparing the financial statements.

The Audit Committee discussed with KPMG the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), which include, among other items, matters related to the conduct of the audit of PREIT's financial statements. The

**Table of Contents**

Audit Committee received the written disclosures and the letter from KPMG required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG’s communications with the Audit Committee concerning independence, and has discussed with KPMG its independence.

Based on the review and discussions referred to above, the Audit Committee recommended to PREIT’s Board of Trustees that PREIT’s audited financial statements be included in PREIT’s Annual Report on Form 10-K for the year ended December 31, 2012.

SUBMITTED BY THE AUDIT COMMITTEE OF

THE BOARD OF TRUSTEES

John J. Roberts, Chair

Stephen B. Cohen

Donald F. Mazziotti

**Pre-Approval Policies and Procedures**

In accordance with the SEC’s auditor independence rules, the Audit Committee pre-approves all audit and permissible non-audit services to be provided to us by our independent auditor. The Audit Committee has delegated pre-approval authority between meetings of the Audit Committee to the Chair of the Audit Committee. The fees listed in the table below were properly pre-approved. The Audit Committee or its Chair considered the nature of the non-audit services provided by KPMG and determined that those services were compatible with the provision of independent audit services by KPMG.

**Additional Information Regarding Our Independent Auditors**

In addition to retaining KPMG to audit PREIT’s consolidated financial statements for 2012, PREIT retained KPMG to provide other auditing and advisory services in 2012. PREIT understands the need for KPMG to maintain objectivity and independence in its audit of PREIT’s financial statements.

The aggregate fees billed for professional services by KPMG in 2012 and 2011 for these various services were:

Type of Fees	2012	2011
Audit Fees	\$ 700,000	\$ 700,000
Audit-Related Fees	269,000	95,000
Tax Fees	59,500	60,500
Total	\$ 1,028,500	\$ 855,500

In the table above, in accordance with the Securities and Exchange Commission’s definitions and rules, audit fees are fees PREIT paid KPMG for professional services for the audit of PREIT’s consolidated financial statements included in PREIT’s Form 10-K, review of financial statements included in PREIT’s Forms 10-Q and for services that are normally provided by the accountant in connection with the review of other filings and consents; audit-related fees are fees for comfort letters and for work performed in connection with S-3 and S-8 registration statements and prospectus supplements thereunder; and tax fees are fees for tax compliance, tax preparation and other tax consultation related to transactions consummated by PREIT during 2012 and 2011.

**Table of Contents****OTHER MATTERS****PROPOSAL FOUR****OTHER MATTERS**

PREIT's management knows of no matters other than those stated above to come before the meeting. However, if any other matters properly come before the meeting, the enclosed proxy confers discretionary authority with respect to those matters.

**Principal Security Holders**

The following table shows information concerning beneficial ownership of PREIT's common shares by the only persons known by PREIT as being the beneficial owner of more than 5% of PREIT's common shares of beneficial interest based on PREIT's review of publicly available filings made with the Securities and Exchange Commission by such persons:

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership as of Date of Applicable SEC Filing	Percent of Outstanding Shares as of March 31, 2013
The Vanguard Group, Inc. <sup>(1)</sup>  100 Vanguard Blvd. Malvern, PA 19355	7,059,306	12.49%
BlackRock, Inc. <sup>(2)</sup>  40 East 52nd Street New York, NY 10022	5,748,820	10.17%
Principal Global Investors, LLC <sup>(3)</sup>  801 Grand Avenue Des Moines, IA 50392	2,828,139	5.01%

(1) Based on a Schedule 13G/A filed with the SEC on February 11, 2013. As of December 31, 2012, the Vanguard Group, Inc. had sole voting power over 163,413 of the shares reported and sole dispositive power over 6,918,893 of the shares reported.

(2) Based on a Schedule 13G/A filed with the SEC on April 13, 2013. BlackRock Inc. has sole voting and dispositive power over all 5,748,820 of the shares reported. The shares are held in various BlackRock subsidiaries including BlackRock Japan Co. Ltd., BlackRock Investment Management (Australia) Limited, BlackRock Fund Advisors, BlackRock Asset Management Canada Limited, BlackRock Asset Management Australia Limited, BlackRock Advisors, LLC, BlackRock Investment Management, LLC, BlackRock Investment Management (UK) Limited, BlackRock Advisors (UK) Limited, BlackRock Fund Managers Limited, BlackRock Asset Management Ireland Limited and BlackRock International Limited, none of which individually own 5% or more of the outstanding shares.

(3) Based on a Schedule 13G filed with the SEC on February 1, 2013. Principal Global Investors, LLC has neither sole voting power or sole dispositive power with respect to any of the shares reported.

**Related Party Transactions Policy**

The related party transactions policy requires that related party transactions be reviewed and approved or ratified by a special committee comprised of independent trustees. The Board of Trustees has appointed M. Walter D. Alessio, Chair, Leonard I. Korman and Donald F. Mazziotti as the members of the Special Committee. Any member of the Special Committee with an interest in a related party transaction will not vote on the approval or ratification of that transaction, but may participate, to the extent requested by the Chair of the Special Committee, in

the Special Committee's consideration of that transaction.

## **Table of Contents**

Related parties that are covered by the policy include any executive officer, trustee, nominee for trustee or 5% shareholder of PREIT, any immediate family member of those persons, any entity that is owned or controlled by any of the foregoing persons or any entity in which such a person is an executive officer or has a substantial ownership interest. Related party transaction means any transaction or series of similar transactions and any material amendment or modification to such a transaction:

involving an amount of at least \$120,000 in which PREIT is a participant and in which a related party will have a direct or indirect material interest; and

that occurred subsequent to the adoption of the policy and has not previously been approved or ratified pursuant to the policy. The related party transactions policy expressly excepts certain ordinary course transactions from the review, approval and ratification requirements of the policy.

The related party transactions policy requires executive officers and trustees of PREIT to notify PREIT's General Counsel as soon as reasonably practicable of any potential related party transaction. PREIT's General Counsel then determines whether the transaction requires compliance with the related party transactions policy. If the transaction is a related party transaction, full details of the transaction are submitted to the Special Committee. The Special Committee will then determine whether to ratify or approve the transaction. The Special Committee considers, among other things:

the terms of the transaction and whether the terms are fair to PREIT and are on the same basis as if the transaction did not involve a related party;

the reasons for PREIT to enter into the transaction;

whether the transaction would impair the independence of a non-employee trustee;

whether the transaction presents an improper conflict for any trustee or executive officer of PREIT; and

the materiality of the transaction.

PREIT's 2008 acquisition of an interest in a partnership owning an office building located within the boundaries of Cherry Hill Mall, discussed below, was approved pursuant to PREIT's related party transactions policy. PREIT's 2012 amendment to its office lease with an entity in which certain of its officers/trustees have an interest, discussed below, was also approved pursuant to PREIT's related party transactions policy. Except as described below, none of the other transactions described below under "Other Transactions and Matters" were reviewed, ratified or approved pursuant to PREIT's related party transactions policy because each of the transactions was either entered into before PREIT adopted the policy or is not considered to be a related party transaction under the terms of the policy. Each of the transactions described below were, to the extent deemed necessary and appropriate by the Board of Trustees, reviewed and approved by PREIT's Board of Trustees, the Special Committee and/or, as appropriate, the independent or non-employee members of PREIT's Board of Trustees.

### *Tax Protection Agreement*

On January 22, 2008, PREIT, PREIT Associates, L.P. and another subsidiary of PREIT entered into a Contribution Agreement with Bala Cynwyd Associates, L.P., City Line Associates, Ronald Rubin, George Rubin, Joseph Coradino and two other individuals regarding the acquisition of an office building located within the boundaries of PREIT's Cherry Hill Mall. In connection with that agreement, PREIT and PREIT Associates agreed to provide tax protection to Ronald Rubin, George Rubin, Joseph Coradino and one other individual resulting from the sale of the office building during the eight years following the initial closing.



---

**Table of Contents**

This tax protection agreement requires PREIT to make payments to the respective counterparties if PREIT takes certain actions, such as selling the property covered by the agreement, that trigger tax liabilities for the counterparties.

*Other Transactions and Matters*

PREIT-RUBIN, Inc. currently provides management, leasing and development services for seven properties owned by partnerships and other entities in which Ronald Rubin and George F. Rubin, collectively with members of their immediate families and affiliated entities, have significant ownership interests. Total revenue earned by PREIT-RUBIN, Inc. for such services was \$0.5 million for the year ended December 31, 2012. In addition, the mother of Stephen B. Cohen, a trustee of PREIT, has an interest in one additional property for which PREIT-RUBIN, Inc. provides management, leasing and development services. Total revenues earned by PREIT-RUBIN, Inc. for such services were \$0.4 million for the year ended December 31, 2012.

PREIT leases its principal executive offices from Bellevue Associates, an entity in which certain PREIT officers/trustees have an interest. In April 2012, PREIT entered into an amendment to its office lease with the landlord, effective June 1, 2012. Under this amendment, PREIT consolidated from approximately 68,100 square feet into approximately 58,000 square feet. The term has been extended for five years to October 31, 2019, and PREIT has the option to renew the amended office lease for up to two additional periods for an aggregate of 10 years, at the then-current market base rental rate calculated in accordance with the terms of the amended office lease. The first extension period shall be no less than three and no more than seven years, at our discretion, and the second shall be for 10 years less the number of years of the first extension. The base rent will be approximately \$1.2 million per year, increasing incrementally to approximately \$1.4 million in 2019. PREIT's total rent expense in 2012, under the original lease from January 2012 through April 2012 and under the amended lease thereafter, was approximately \$1.5 million. Ronald Rubin and George F. Rubin, collectively with members of their immediate families and affiliated entities, own approximately a 50% interest in Bellevue Associates.

In March 2012, a subsidiary of PREIT leased approximately 13,000 square feet at Voorhees Town Center to a health club which is owned by an entity in which Ronald Rubin and George F. Rubin, collectively with members of their immediate families and affiliated entities, indirectly own approximately a 50% interest. The lease did not provide for a minimum base rent, and instead provided that rent would be calculated based on a percentage of the health club's sales. The lease also permitted the landlord to apply the first \$100,000 of rent owed towards its improvements to the premises. The initial term of the lease was only four months. PREIT and the health club have commenced discussions regarding an extension of the term of the lease. During such discussions, the health club has continued to occupy the leased premises on the terms of the original lease. During 2012, no rent was paid to PREIT under this lease. The Special Committee has reviewed the terms of this arrangement and authorized PREIT to seek an extension of the lease.

Ronald Rubin and George F. Rubin are brothers. Two of George F. Rubin's sons, Daniel Rubin and Timothy Rubin, were employed by subsidiaries of PREIT in 2012. Daniel Rubin is Vice President Outparcel Leasing of PREIT and his annual salary in 2012 was approximately \$161,000 and in 2013 is approximately \$161,000. Timothy Rubin was Executive Vice President Leasing of PREIT and his annual salary in 2012 was approximately \$284,000. In addition, Daniel Rubin received 3,188 restricted shares in 2012 valued at approximately \$46,000 and his annual incentive plan payment for 2012 was approximately \$20,000, and Timothy Rubin received 9,577 restricted shares in 2012 valued at approximately \$138,000, 24,054 shares in respect of RSUs that had a value of approximately \$421,000 and, in connection with his departure from PREIT, a separation payment of \$142,000 and his supplemental executive retirement plan payment of \$131,000. In addition, at the time of Timothy Rubin's departure, he entered into an agreement under which (i) he will receive \$26,000 per month through December 2013 as an independent contractor, so long as he continues to work on two separate projects for the Company, and (ii) he could receive additional payments of \$25,000 to \$50,000 upon completing each of several milestones related to the projects. In addition, the agreement provided that Timothy Rubin would retain 11,046 unvested restricted shares previously granted to him and that such shares would vest in February 2013.

## **Table of Contents**

### **Incorporation by Reference**

The information contained in this Proxy Statement under the headings "Compensation Committee Report" and "Audit Committee Report" is not soliciting material, nor is it filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that PREIT specifically incorporates such information by reference in a filing.

### **Shareholders' Proposals**

Under SEC rules, certain shareholder proposals may be included in PREIT's proxy statement. Any shareholder desiring to have such a proposal included in PREIT's proxy statement for the annual meeting to be held in 2014 must deliver a proposal in full compliance with Rule 14a-8 under the Securities Exchange Act of 1934 to PREIT's executive offices by December 25, 2013.

Where a shareholder submits a proposal outside of the process described in Rule 14a-8 of the Securities Exchange Act of 1934, the shareholder must comply with the procedures set forth in our trust agreement. The written proposal must be received by our secretary on or before February 28, 2014 but no earlier than January 29, 2014 (unless our annual meeting is not within 30 days of the anniversary of the prior annual meeting, and then not later than the tenth business day following the date on which notice of the meeting was mailed or disclosed to the public, whichever occurs first). The notice to our secretary must contain or be accompanied by the information required by Section 11.J of our trust agreement which includes, among other things: (i) the name and address of the shareholder intending to bring the business before the meeting; (ii) a representation as to the class, series and number of shares that such shareholder owns of record or beneficially and the respective date or dates on which such shareholder acquired such ownership; (iii) a description of all proxies, agreements, arrangements or understandings between the proposing shareholder and any other person or entity (naming each such person or entity) pursuant to which such shareholder has any right to vote any shares; (iv) the general nature of the business which such shareholder seeks to bring before the meeting and the text of the resolution or resolutions which the shareholder proposes that the shareholders adopt; (v) any material interest in such business by such shareholder, including any anticipated benefit; and (vi) with respect to such shareholder or affiliate of such shareholder, whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of, or any other agreement, arrangement or understanding (including, without limitation, any put, short position, hedged position, borrowing or lending of shares, synthetic or temporary ownership technique, swap, securities loan, option, warrant, convertible security, stock appreciation right, or any other right or security with a value derived, in part or in whole, from the value of any class or series of shares, directly or indirectly owned by such shareholder or affiliate of such shareholder) has been made, the effect or intent of which is to (A) mitigate loss to, or manage the risk or benefit of share price changes for, or to increase or decrease the voting power of, such shareholder or any affiliate of such shareholder with respect to any shares, or (B) provide the shareholder or affiliate of such shareholder with an opportunity to receive directly or indirectly any gain from an increase or decrease in the value of the shares. In addition, the notice must be signed by a shareholder or shareholders entitled to vote at the meeting and holding, individually or collectively, at least two percent of the shares outstanding on the date of such notice. A copy of the full text of the relevant section of the trust agreement, which includes the complete list of the information that must be submitted to us before a shareholder



**Table of Contents**

may submit a proposal at the 2014 Annual Meeting, may be obtained upon written request directed to our secretary at our principal executive office. A copy of our trust agreement is also posted on our website at [www.preit.com](http://www.preit.com).

By Order of the Board of Trustees

Bruce Goldman

Secretary

April 24, 2013

**Table of Contents**

**Table of Contents**

*PENNSYLVANIA REAL ESTATE INVESTMENT TRUST*  
*THE BELLEVUE*  
*200 S. BROAD STREET, 3rd Floor*  
*PHILADELPHIA, PA 19102*

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by Pennsylvania Real Estate Investment Trust in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access shareholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions until 11:59 p.m. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

KEEP THIS PORTION FOR YOUR RECORDS  
 DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	
<p><b>The Board of Trustees recommends you vote <u>FOR</u> all nominees listed below:</b></p> <p>1. Election of Trustees</p> <p style="padding-left: 40px;"><b>Nominees</b></p> <p>01 Joseph F. Coradino    02 M. Walter D Alessio    03 Rosemarie B. Greco    04 Leonard I. Korman    05 Ira M. Lubert</p>	..	..	..	<p>To withhold authority to vote for any individual nominee(s), mark <b>For All Except</b> and write the number(s) of the nominee(s) on the line below.</p>



**Table of Contents**

You are urged to sign and return this Proxy so that you may be sure that these shares will be voted.

If you vote your proxy by Internet or telephone, you do NOT need to mail back your proxy card.

You may view the Annual Report and Proxy Statement on the Internet at [www.preit.com](http://www.preit.com)

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Notice & Proxy Statement, Annual Report is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**Annual Meeting of Shareholders**

**PENNSYLVANIA REAL ESTATE INVESTMENT TRUST**

**May 29, 2013**

**This Proxy is solicited on behalf of the Board of Trustees**

The undersigned, revoking all prior proxies, hereby appoints Ronald Rubin, Joseph F. Coradino, M. Walter D. Alessio and Leonard I. Korman, and each and any of them, as proxies of the undersigned, with full power of substitution, to vote and act with respect to all shares of beneficial interest of Pennsylvania Real Estate Investment Trust held of record by the undersigned at the close of business on April 5, 2013 at the Annual Meeting of Shareholders to be held on Wednesday, May 29, 2013 and at any adjournment thereof.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE. NO POSTAGE REQUIRED.

**THE SHARES REPRESENTED BY THIS PROXY, WHEN DULY EXECUTED, WILL BE VOTED AS INSTRUCTED ON THE REVERSE SIDE. IF INSTRUCTIONS ARE NOT GIVEN, THEY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED IN PROPOSAL 1, FOR THE ADVISORY APPROVAL OF THE COMPANY'S EXECUTIVE COMPENSATION AND FOR THE RATIFICATION OF THE SELECTION OF KPMG LLP AS INDEPENDENT AUDITOR FOR 2013.**

**Continued and to be signed on reverse side**